



County of Orange • Auditor-Controller
Annual Report 2007



David E. Sundstrom, CPA
Auditor-Controller

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“Teeing Up Integrity”

-David Sundstrom, CPA
Auditor-Controller

Letter from the Auditor-Controller

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I am pleased to present the 2007 Auditor-Controller Department's Annual Report. This report was a collaborative development. It conveys our dedication to serve our customers, both internal and external, and our appreciation of our staff and their many contributions. We continue to provide the highest level of service while keeping staffing to a minimum. Our ongoing training programs and comprehensive succession plan continues to serve us well. This is particularly important given the significant personnel commitments necessary for the successful implementation of the County's new CAPS+ financial system. With this continuing staff support, we will meet our responsibilities and achieve our goals.

Our plan for 2007 continues our focus on leveraging technology by providing workflow initiatives that will provide substantial efficiencies to the County. We obtained workflow development software and are using it to automate systems for processing journal vouchers, deposit orders, and mileage claims. Our "req. to check" pilot project for IP3 (Integrated Procurement and Payables Processing) is nearing completion at the Integrated Waste Management Department (IWMD). It will demonstrate the cost-effectiveness of a totally paperless procurement/vendor payment workflow. It will also greatly enhance accountability and controls while reducing the time and effort required to settle claims for goods and services. The CEO's Information Technology Division has expressed an interest in becoming the second pilot project. We are also working with the Treasurer-Tax Collector and Clerk of the Board to rewrite our portions of the Assessment-Tax System (ATS).

In addition, we have a significant portfolio of other projects in development including the Fund Revenue and Expense Tracking (FRET) system and the office supply workflow process. We firmly believe these technological advances will allow us to more effectively serve the citizens of Orange County.

Although we continue our commitment to technological development, we will also stay focused on our core operations. \$5.4 billion in property taxes will be accurately allocated and distributed, over 1,600 reports and claims will be filed timely, millions of financial transactions will be appropriately recorded, the County's \$5.5 billion investment pool will be monitored, the County's \$5.56 billion appropriations budget will be controlled, and over \$5 billion of claims will be accurately paid. Additionally, an Internal Audit Unit is being reestablished in the Auditor-Controller's Office to facilitate our ability to monitor internal controls, improve independence, and directly meet our audit mandates.

In conclusion, I am confident that we are heading in the right direction, and that our office will continue to contribute to the success of the County.

Sincerely,

David E. Sundstrom, CPA
Auditor-Controller



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Vision, Mission, Statement of Values

VISION

To be the County's trusted source of financial information to account for the past, direct the present, and shape the future.

MISSION

To promote public oversight, provide accountability, and support financial decision-making for the County.

STATEMENT OF VALUES

We will demonstrate our commitment to the public, the County and our employees by:

- Conducting our business with the highest ethical standards
- Protecting the public's interest
- Treating our clients and employees with the utmost respect
- Exceeding client and stakeholder expectations
- Seeking opportunities to improve the effectiveness of our services
- Celebrating the accomplishments of our employees
- Rewarding innovation
- Promoting an open and collaborative environment
- Developing leadership skills at all organizational levels

David E. Sundstrom, Auditor-Controller, is the elected County official responsible for establishing accounting policies for the County and providing unbiased and accurate financial information to the Department's many clients.

Shaun Skelly, Chief Assistant Auditor-Controller, assists the Auditor-Controller in establishing accounting policies for the County and is responsible for planning, administering and directing the accounting work performed by the Auditor-Controller Department.

Jan Grimes, Assistant Auditor-Controller, Central Operations, plans, organizes and directs the general accounting, financial reporting, budget, cost accounting, property tax accounting, special accounting, accounts payable disbursements and payroll functions of the Auditor-Controller Department, as well as the cost studies and mandated audits function.

Phil Daigneau, Assistant Auditor-Controller, Information Technology, plans, organizes and directs the Auditor-Controller Information Technology Division in support of the Countywide financial, payroll and property tax systems, ERMI, and departmental desktops, servers, and networks.

Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations, plans, organizes and supervises the Auditor-Controller Department's seven outstationed units that provide specific accounting services to HCA, HCS, IWMD, JWA, RDMD, SSA, and the CEO/Public Finance Section.





Administration

Auditor-Controller Administration consists of Finance & Administrative Services and Human Resources.

Administrative Services is responsible for many of the day-to-day tasks in the office including opening, sorting and date stamping all of the incoming mail, processing outgoing mail, answering the main departmental phone line, surplus, records storage and retention, and purchasing office supply items for the department. Administrative Services is also responsible for participation of HIPAA (Health Insurance Portability and Accountability) coordinator and workgroup meetings to provide updates on implementations and regulations for the department to follow.

Finance unit provides budget and purchasing management support to the Auditor-Controller Department. A core part of budget management is the collaboration with department managers to develop a budget for the coming year that will both meet department needs and stay within limits set by the County Executive Office. The budget request for fiscal year 2007-2008 will be approximately \$37 million dollars. Our department will recover about \$19.5 million for services provided to other County departments via our out-stationed accounting units and support for the CAPS+ System Implementation project. Another \$8.5 million in revenue is estimated to be collected from non-general fund County

departments and special districts for accounting services. This budget serves as the foundation for an Auditor-Controller Department's Five Year Strategic Financial Plan that is built and integrated into the countywide strategic financial planning process. The Strategic Financial Plan is an important countywide planning tool in determining and prioritizing the County's future needs and forecasts the resources available to meet those needs. We do the same thing at a department level. This unit provides ongoing support through the monitoring of expenditures and revenues, to ensure we are on-track to spend according to plan and that the revenue and reimbursements budgeted are in fact realized.

In addition, the Finance unit provides central purchasing and contracting services to the department. The unit prepares contracts and purchase orders for supplies and services as well as manages the capital asset inventory and surplus program.

Human Resources is responsible for conducting recruitments; new employee sign-up; processing all personnel actions (e.g., promotion, rotation, merit increase, PIP award, etc.) for all employees in the office; monitoring and tracking information for Cal/OSHA injuries and worker's comp related issues; classification; and coordinating parking for employees in Building 12. HR staff works with OCEA on employee issues, participates on the Labor Management Committee, and acts as the Department Safety Representative.



Claims

The Claims Section of the Auditor-Controller's Office provides accounts payable services to the County, Superior Court, and various special districts throughout the County which are under the Board of Supervisors. We are a vital part of the overall process of procuring goods and services in the County and provide a critical link between the County's agencies and departments and the business community that serves them. This Section processes over 170,000 invoices each year using the County's Advantage Financial System. The mandate for the Claims Section is to audit and allow payments which are statutorily required or which are provided for in contracts approved by the Board or by the County's Purchasing agent. These payments are for a large variety of goods and services which are necessary to keep the county functioning.

Vendors who supply everything from basic office supplies, to construction projects, medical supplies, child care, consultants, bond payments, equipment, utilities, temporary help services, uniforms, food for the jails, communications and computers, professional services, and many other needs to support the County's many missions, are all paid by the Claims Section. These payments are all subject to the review and auditing processes of the Claims Section to adequately assure that payments meet the criteria of Board established policies and approved contracts.

We recognize that the business environment in the County is continually changing and we are a leader in adapting to new technologies and ideas to promote greater efficiency and effectiveness. Our Section has been at the forefront of development of a number of new initiatives involving automation, workflow, document imaging, and decentralization. The staff of the Claims Section work hard, with dedication and integrity, to provide excellent accounts payable services for the County's taxpayers and businesses.





Disbursing

The Disbursing Section of the Auditor-Controller's Office performs payroll, check writing, and document imaging services in the County of Orange. In our payroll unit we are responsible for processing the biweekly payroll system which pays over 19,000 employees in the County, Superior Court, and six special districts throughout Orange County. These agencies, departments, special districts, and courts each perform important public functions which benefit the residents of our county. Their workforce is vital to their ability to complete those functions. Our payroll department is an important component in the human resources, benefits, and payroll process that provides a solid foundation upon which the County's workforce is maintained. The seamless operation of payroll helps make it possible for our employees to concentrate on their missions and maintain their focus on excellent service for our residents. Our Check Writing unit is a critical component of our mission to assure the integrity of our disbursement processes.

We also are the main center for document imaging for all of the County's accounts payable, trust, and payroll documents.

All trust and accounts payable payments issued by the County, whether by check or electronic process, are processed through our Check Writing unit. Annually, they issue over 500,000 payments for many purposes. Whether it is for jury service, election work, accounts payable, deposit refunds, restitutions, or tax refunds, our Check Writing staff work hard to assure the accurate and reliable handling of the payment issuance process.



Cost and Budget

Cost and Budget, a unit within the Central Operations Division, interacts extensively with other departments and sections within the Auditor-Controller's Office.

The focus of the Cost function is on helping departments maximize revenues through recovery of County indirect costs. We prepare approximately 30 cost studies each year (indirect cost rates/amounts, billing rates, and labor burden rates) for County departments to use in billing jobs/clients for services rendered. We also review work prepared by departments or by departments' consultants, and will help a department prepare its own study.

Each year we prepare the County Wide Cost Allocation Plan (CWCAP) using contracted services to determine General Fund support costs (e.g., Auditor-Controller, CEO, County Counsel) and to allocate (distribute) these costs to agencies, districts, and funds in proportion to the benefits they receive. CWCAP is primarily for determining indirect costs for federal and state-funded programs, grants, and contract reimbursements.

Without an approved cost plan Orange County would be ineligible for federal/state reimbursements of County indirect costs. In addition, CWCAP is used to determine and charge the cost of General Fund support to non-County General funds, to determine billing rates, and to evaluate total program costs.

The Budget function is responsible for preparing the Proposed and Final line item County budgets. The unit works closely with the CEO Budget Office throughout the year in preparation for the budget.

In addition to preparing the line item budget documents, the unit monitors Franchise and Community Redevelopment Agency (CRA) revenue. We also estimate how much of this revenue will be received each fiscal year. These estimates are included in the Available Financing Reports issued to the County Executive Officer, Board of Supervisors, and Agency/Department Heads. The Available Financing Reports help the County to plan for the following year. A couple of the other tasks that we are responsible for are preparing State sales and use tax returns, and computing special district bond tax rates.





Central Operations- Accounts Receivable & Collections

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AR/Collections

The Collections Unit consists of three professional Revenue Recovery Officers who make contact with the debtors who are delinquent with their payments. Revenue Recovery Officers set up pay agreements, locate debtors via Credit Reporting agency or Department of Motor Vehicle records. When the debtor is located, the Revenue Recovery Officer litigates at Small Claims Court certain accounts that become delinquent. Revenue Recovery Officers file actions with the court to obtain legal judgment or to enforce existing judgments by obtaining court approval to garnish wages, levy bank accounts or have the Orange County Sheriff perform a till tap on a business. The Collections Unit utilizes professional collection tools and techniques to collect County revenue.

The Accounts Receivable Unit consists of seven positions. In 2005-06, A/R staff input over 14,006 accounts/invoices totaling \$214,417,863 and deposited over 15,763 payments totaling \$259,692,944. A/R staff inputs new accounts/invoices into an Accounts Receivable subsidiary ledger and, as applicable, to County General Ledger; researches, codes and deposits the payments and provides the Treasurer's Department coding for wired funds to the County. Also, A/R coordinates and administers the State Franchise Tax Board's Intercept Program for Orange County. For the calendar year ended 2006, the program intercepted \$2,378,547 of individual state income tax refunds and lottery winnings from taxpayers who have certain delinquent debts with the County. Finally, A/R reconciles the accounts to the County General Ledger, recommends and writes off accounts and provides account information to the departments/agencies that it serves.



Financial Reporting and Mandated Costs

The responsibilities of the Financial Reporting and Mandated Costs Unit impacts all County departments and enables the County to continue qualifying for millions of dollars in State and Federal reimbursements. To accomplish this goal, one of the major tasks of the unit is preparing the Comprehensive Annual Financial Report (CAFR), which is a presentation of the County's financial information. It is used by the public, bonding agencies, governments, and internally to examine the financial health of the County. The CAFR is compiled by taking raw financial data and transforming it into a coherent report that complies with Generally Accepted Accounting Principles (GAAP). To comply with GAAP, each year the unit is required to implement any new Governmental Accounting Standard Board (GASB) pronouncements that affect CAFR reporting. For FY 2005-06, the unit successfully implemented five new GASB pronouncements.

In order to prepare a County-wide report such as the CAFR, it is necessary for the unit's employees to interact with other County departments and agencies, various Auditor-Controller units, and with internal and external auditors. In FY 2005-06, the unit worked with various County departments to successfully complete a deferred revenue account analysis and reclassification. This was accomplished by working closely with County financial managers to determine if accrued revenues were recorded in accordance with GAAP.

When the CAFR is completed, it is audited by an external independent accounting firm to ensure compliance to GAAP. The highest standard by which all CAFRs are measured is the GFOA program called Certificate of Achievement for Excellence in Financial Reporting.

The Financial Reporting and Mandated Costs Unit has earned the GFOA Certificate every year since FY 1979-80 (not including bankruptcy years of FY 1993-94 and FY 1994-95), and expects to earn the certificate again in FY 2005-06.

In addition to the preparation of the CAFR, Financial Reporting prepares the annual OC Citizens' Report. The Report presents financial highlights of the County and is a high-level summary of information contained in the CAFR. There is also information in the OC Citizens' Report about trends in our local economy and shows how our economy compares with surrounding counties, the State, and the Nation. The OC Citizens' Report, as well as the CAFR is available on the Auditor-Controller website at <http://www.ac.ocgov.com/finrpt.asp>.

Another project the unit is responsible for preparing is the Single Audit Report, a federal requirement for governments that receive federal financial assistance and awards. The Single Audit is performed by an outside CPA firm to ensure compliance and internal control and to render an opinion on the financial statements. The unit is also responsible for filing the County's mandated (SB90) cost reimbursement claims. The State mandates programs and services on the County, and certain costs associated with these programs are reimbursed by the State. The unit receives these reimbursement claims from various County departments, reviews the claims, and submits them to the State Controller and acts as a liaison between the departments and the State.





Central Operations-General Accounting

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General Accounting

The General Accounting Unit performs many tasks that are general in nature and don't fit neatly in other units. The scope of responsibility includes a large variety of projects that help ensure successful and accurate financial and budgetary reporting.

General Accounting assists the CEO with the forecasts of General Purpose Revenues and Fund Balance carry forward through the preparation of Available Financing Reports. This function is key to ensuring an achievable and balanced budget and is the starting point for planning the next year's county budget. In order to do this work General Accounting also must track reserve balances, assist in the preparation of the Strategic Financial Plan and be aware of the various departmental budget requests that go to the Board of Supervisors for approval and how they impact the county budget as a whole.

There are a variety of cash flow planning and analysis projects which General Accounting uses to make sure that we have enough money to meet payroll and other bills, and to work through cash problems in certain county funds. Additionally, General Accounting prepares countywide Salary projections that serve as an "early warning" mechanism for the CEO and assists departments in planning spending their Salary and Employee Benefits budgets through fiscal year end. General Accounting also tracks and distributes some of the monies received from the State that need to be spread around to County funds, cities, and special districts.

In addition General Accounting prepares annual budgets for various Auditor-Controller funds (except 003), monitors and prepare reports for other County funds like the Excess Public Safety Sales Tax Fund 14B, prepares the annual State Controller's report, assists in the annual All Funds audit, calculate the Gann Limit, and prepares a multitude of annual Agenda items for the Board of Supervisors.



General Ledger

The General Ledger Unit provides vital checks and controls for the County's financial records. The unit is responsible for reviewing and correcting the daily Deposit Orders and Journal Vouchers, reviewing and inputting Budget Transfers, and reviewing and researching daily negative expense balances and holding/releasing checks and Payment Vouchers when necessary. Another important function performed by General Ledger is the daily monitoring and reconciliation of the County's bank accounts which include the Welfare, Accounts Payable, Trust and Payroll accounts. This ensures that the accounts are current and up to date on a daily basis.

The General Ledger Unit is responsible for the preparation and distribution of the County's 1099s. This requires the unit to maintain a 1099 data base from which the 1099s are annually generated. This process requires that General Ledger stay in close contact with County departments as well as the IRS.

Monitoring and maintaining the County's Capital Asset system is another important function performed by the General Ledger Unit. This requires coordination and communication with all County departments and agencies regarding questions that may arise, discrepancies, and scheduling capital asset inventories. The General Ledger Unit is responsible for reporting to the Board the obsolete, destroyed, surplussed, and missing capital assets. In addition annual reconciliations are prepared to reconcile the capital assets reported in the County's Annual Financial Report to the Capital Asset System.

The General Ledger Unit is also responsible for reviewing Purchase Order documents for accuracy, completeness and coding, the daily review of Board minute orders and the preparation of annual financial reports for the State.





Information Technology

We keep Auditor-Controller financial systems running accurately and timely. Through our support, the Auditor-Controller and financial professionals throughout the County can run the systems or access the information necessary to perform their jobs.

Every day hundreds of County employees turn to financial or payroll reports available in ERMI or look up information in CAPS or the Data Warehouse. Many of the reports created for our applications can be found in ERMI. ERMI is the repository for all Auditor-Controller reports. For CAPS, this office supports two primary components, Financial and Payroll. Between these two applications, we support over 600 reports that are generated nightly, monthly, quarterly or annually. Many of these reports are used to keep track of costs, revenues and expenditures or transactions such as Journal Vouchers and Payment Vouchers. 19,000 County employees rely on our support every two weeks to receive their paycheck without fail. Most County employees enter their time into VTI and then receive their paycheck information in our Paystub Portal system. These are just some of the systems supported by the Auditor-Controller Information Technology Division.

This Division also supports system that accounts for the receipt and distribution of the County's property taxes. Every year, the County generates over a million real and business property tax bills and allocates \$5.4 billion in property taxes.

What makes all this happen? It is the dedicated and hard working employees of the Information Technology Division! The County requires information systems and equipment to be reliable and accurate and to meet the changing demands of our user community, and we are up to the challenge.

Currently our division provides considerable support to the County's upgrade of its financial systems (CAPS+). Phase I of this upgrade project is scheduled for implementation in July 2009. We are additionally assigned on the HR Visioning project which may require either an upgrade or replacement for the HR Payroll system. Another major initiative which we are heavily involved with is the rewrite of our Property Tax Management System.

On a daily basis our staff schedules and monitors system processes to ensure completion of nightly batch cycles of these County applications. We do this while participating in major project initiatives that will direct the County's information technology future.



Property Tax

Property taxes are a significant source of revenue for cities, schools, redevelopment agencies, special districts, and the County. The property tax process provides for calculating, billing, collecting, and distributing property taxes. The Property Tax Section plays an integral part in the process along with the Assessor, the Clerk of the Board (the administrator of assessment appeals filings), and the Tax Collector, and works closely with staff of these departments.

The property tax process starts when the Assessor values property and delivers the assessment roll to the Auditor-Controller. For real property, which provides the majority of property taxes, this is done by July 1. Tax rates to provide funds for school district debt payments are computed by the Property Tax Section. After tax rates are provided by cities and special districts, the section “extends” the roll by applying tax rates to assessed values of county parcels, and adding special assessments. Tax bills are generated from the extended tax roll and are printed then mailed to property owners by the Tax Collector. For 2005/06, over 1.1 million property tax bills were generated representing almost \$4.2 billion in taxes. Taxes collected by the Tax Collector were timely apportioned or distributed through 67 scheduled and 17 non-scheduled apportionments throughout 2005/06 by the Property Tax Section to over 180 tax receiving agencies, including the County. Over \$5.4 billion was apportioned to these agencies in 2005/06. This amount included current and prior year taxes, penalties, and interest.

A survey of the agencies receiving tax apportionments was conducted for 2005/06. All respondents were satisfied or very satisfied with the overall services provided by the Property Tax Section. In individual categories of the survey, no less than 94% of recipients were satisfied or very satisfied. General comments and those from less than satisfied recipients were addressed.

After a tax bill is issued the tax liability may need to be modified due to a value correction submitted by the Assessor, or by an appeal filed by the property owner and finalized by the Assessment Appeals Board, or by a city or special district to make a change in a special assessment. As a result of these changes, the Property Tax Section processed almost 59,000 tax roll corrections in 2005/06 that resulted in a refund or a corrected billing.

In 2005/06, the Property Tax Section provided significant resources to the needs assessment phase of the Assessment Tax System re-engineering project. Also in 2005/06, the section provided support to final resolution of the court settlement of the Bunker case through the processing of the related property owner claims.

The Property Tax Section has a significant amount of public contact. In 2005/06, there were over 19,000 telephone calls, emails, correspondence, and public counter visits from taxpayers, cities, special districts and other county departments. The range of the inquiries requires that staff know not only the Auditor-Controller’s role in the property tax process but they must also understand the general functions of the Assessor, Tax Collector, and Clerk of the Board.

The Property Tax Section continued with the analysis, interpretation, and implementation of complex legislation, including the provisions enacted in 2004/05 - the “Triple Flip” and “Property Tax In-Lieu of VLF” swaps. 2005/06 was the second and last year of the required Educational Revenue Augmentation Fund (ERAF) III shift.





SSA Accounting / Claims Reimbursement

This division is responsible for the accurate and timely claiming of SSA expenses through the initial and revised quarterly County Welfare Administration Expense claim (CEC), Monthly Assistance claims and other quarterly/monthly claims, which are essential to ensure that these significant revenues are received by the County as soon as possible to restore the County General Fund cash. Timely submissions of both the CEC and the Monthly Assistance claims by the State required deadlines ensure the recovery to the County of over \$600 million in revenue per year.

Other duties include maintaining SSA's job code system, reconciling advance accounts, monitoring unpaid invoices and managing the Time Study process. They also prepare reimbursement for other grants CalWIN, CHAT, Refugee Assistance, Project to Strengthen Marriages, Family Enrichment Program and IHSS.

SSA Accounting / Collections & Accounts Receivable

This collections unit is responsible for the collection of benefit overpayments/overissuances from SSA clients no longer on aid. Over the last two years they have collected over \$1.9 million per year from clients. The Collections Support unit performs administrative duties and paperwork for the Collection Officers.

In addition, they conduct skip traces, property searches and prepare tax intercepts on SSA clients. They also obtain Birth, Death and Marriage certificate information for SSA Social Workers. The Accounts Receivable unit records and classifies all payments for SSA in the agency's Collection System (VACS- Ventura Automated Collection System) and into CalWIN. They maintain conserved funds for children in the custody of the County, authorize refunds of client overpayments, and reconcile the trust accounts.



SSA Accounting /General Accounting

The General Accounting division is made up of three units, General Accounting, Child Support Interface and the Payroll. The General Accounting Unit is responsible for reconciling three revolving fund checking accounts totaling \$247,000. The Unit performs trust fund and checking reconciliations. They issue petty cash checks and perform surprise cash counts. Petty cash fund accounting includes approval of replenishment requests and surprise cash counts. They process invoices and mail receipts and prepare the daily deposit for the Treasurer. In addition, they process payments for board and care for Seriously Emotionally Disturbed (SED) patients. They also prepare several SSA statistical reports for the State and Federal governments and distribution within SSA. They are responsible for banking activities and reconciliations for immediate benefit issuances at district offices.

The payroll section maintains the Virtual Timesheet Interface (VTI) systems for almost 4,000 SSA employees. They process timecards and mileage claims for SSA employees. Last year they processed 9,505 mileage claims. They also process travel cash advance requests for the Agency. In addition, they process payroll adjustments and supplemental checks and research and prepare Statements of Aid for the Department of Children's Services and various SSA programs. The Child Support Interface Unit corrects exceptions generated from the upload of child support payments received from the Department of Children's Services to SSA CalWIN computer system.

SSA Accounting / District Accounting Services

District Accounting Services and Benefits Control provide support to the CalWIN, Electronic Benefits Transfer (EBT) and Direct Deposit computer systems. Due to the implementation of Direct Deposit, EBT and CalWIN, the nature of the work of the Benefits Control unit has changed to reflect the electronic nature of the benefit issuance systems for SSA clients. At the six remote District Accounting offices (CHIP, CRO, Eckhoff, SARC, Moulton, & ARC), the accounting staff provide EBT services, immediate need checks, direct deposit, bus passes and cash to SSA clients. They establish EBT accounts, link benefits, emboss cards and set PIN selections. Reconciliations and compilation of EBT cash and food stamps and direct deposit benefits is essential to issuing accurate benefits to SSA's clients. Last fiscal year we issued 96,648 welfare checks, 494,409 welfare direct deposit payments and 152,640 EBT's for a total of over \$305 million in benefits.





HCA Accounting

The HCA Accounting Section is a team of dedicated, hard-working individuals who provide professional accounting support and medical billing services to the Health Care Agency. The Claims and Financial Reporting Units, led by Howard Thomas, prepare over 220 claims, reports, and cost-applies that bring in over \$320 million in revenues to fund the various HCA programs in Public Health, Behavioral Health, and Medical and Institutional Health Services. Some of the largest claims and reports include those for Bioterrorism, California Children Services, Ryan White, the Mental Health and Alcohol & Drug Abuse Cost Reports, and the Services to Handicapped Students mandate. During this past year, all claims/reports/cost-applies were filed with the funding agencies on time, with no financial consequences for delays or late submissions.

The Environmental Health (EH) Accounting Unit, led by Michael Rogers, generates over 40,000 invoices and collects over \$12 million each year to recover costs for programs such as food protection, clean drinking water, and hazardous waste clean-up. EH Accounting recently developed monthly revenue reports to help the agency in monitoring the budget for all their fee-driven programs. They have also been instrumental in testing the upgrade to the web-based version of the agency's "Envision Connect" system.

The Medical Billing Unit, led by Rebecca Siddiqui, bills state and federal programs as well as private health plans for County services provided to the agency's Public Health and Behavioral Health clients, generating over \$60 million annually. The medical coders in this unit perform coding and chart reviews in order to ensure that billings are sent out in a compliant manner. The MBU team has also continued to provide valuable assistance in the building, testing, and implementation of the "ProFit" billing module of the agency's management information system.



In addition to collecting revenue, HCA Accounting also pays the bills! The Disbursements/ Accounts Payable Unit, led by Brent Scarborough, processes over 21,000 invoices annually in order to pay over 200 contract providers and almost 300 vendors. They also assisted in the roll-out of the online office supply purchasing/invoicing system throughout the agency. The Payroll Unit administers payroll for the agency's 2,700-plus employees, and processes over 11,000 mileage claims each year. During this past year they developed a mileage claims template and placed it on the HCA Intranet, and this template has helped the agency a great deal in minimizing errors and improving timeliness of payments.

The section recently conducted a client satisfaction survey of its accounting operations, and we received valuable feedback -- and high marks! -- regarding the quality of our services and our staff. We have also implemented appropriate changes requested by our host agency as a result of that survey. We continue to provide management consultation services on all aspects of accounting, finance, or internal controls whenever we are asked to do so. We have assisted with the implementation of major new health care initiatives such as the Mental Health Services Act (aka Prop. 63). Our accounting team must always be able to adapt quickly to the changes associated with the complexities of health care funding, and they have consistently proven themselves to be up to the challenge.





RDMD Accounting

RDMD Accounting consists of 41 staff who are dedicated to supporting the Resources and Development Management Department (RDMD) in a variety of areas. RDMD Accounting is responsible for performing the accounting tasks for various RDMD programs including Road, Flood, Santa Ana River (including Prado Dam and the recent purchase of the Green River Golf Course), Harbors, Beaches & Parks (HBP), Watershed, Tidelands, Facilities Operations, Transportation ISF, Reprographics ISF, Parking, Utilities, Dana Point Harbor, Planning and Development Services (PDS), and County Capital Projects. RDMD has 24 budgeted funds and 10 non-budgeted funds to account for these programs and has over 1,400 employees.

Staff in RDMD Accounting perform invoicing and claiming of Road, Flood, HBP, Watershed and Santa Ana River projects to various entities including cities, water districts the State and Federal Governments, and developers. We handle the accounting for over 50 revenue leases, millions of dollars in deposits for various RDMD services (map checking, road, flood, and HBP surety deposits, etc.), billing of Transportation ISF services, Parking costs, and Facilities Operations costs to other County departments and agencies. We maintain an extensive job cost accounting system as the backbone of the claiming and invoicing process. Staff also processes accounts payable for RDMD's vendors that amounts to over 3,000 payments per year.

With the implementation of GASB 34 in 2001, infrastructure (including Road and Flood) is now capitalized. This involves accumulating all relative costs of a project over multiple years to record the proper amount of the asset on the County's books. Various bond measures have been approved by voters that affect RDMD programs, including Propositions 40, 12, 42, 1A, 1B and Measure M. Many Flood, Watershed, HBP, and Road projects receive funding from these bond measures and RDMD Accounting Services is responsible for claiming these monies. Recently, the County purchased the Green River Golf Course as it is part of the overall Santa Ana River Project. RDMD Accounting is overseeing the accounting of the Golf Course property manager. RDMD Accounting also oversees the four property managers with operating agreements at Dana Point Harbor. This involves the accounting and recording of all revenues and expenditures related to these agreements on the County's books.

RDMD Accounting is critical to the recovery of costs that PDS incurs in providing services to its clients. When a grading or development project is initiated in an unincorporated area, a permit is issued and a deposit is received and recorded on the County's books. Permit fee receipts average about \$30,000 each day which equates to over \$7 million per year. As work is done on these permits, charges based on time and materials is applied against the deposit. RDMD Accounting monitors all deposits for over 25 types of permits. We send out notifications when deposit balances drop to a certain threshold and we also issue approximately 300 deposit balance refunds each month when permits are finalized. In addition, we also perform a monthly analysis and billing for permits issued to other County departments and handle numerous inquiries from PDS clients. We also calculate the rates charged by PDS to ensure full recovery of costs.



IWMD Accounting

The Integrated Waste Management Department (IWMD) is responsible for running three of California's busiest landfills and four household hazardous waste collection centers. The department accepts and disposes over 5 million tons of waste per year. IWMD Accounting provides accounting services to the department including Accounts Payable, Accounts Receivable, Payroll and General Accounting services. Listed below are accounting tasks performed by IWMD Accounting and 2006 accomplishments.

Accounting Tasks Performed:

- Prepare financial statements.
- Collect over \$100 million per year from deferred charge customers.
- Process payroll for 266 IWMD employees.
- Reconcile various IWMD Funds.
- Prepare journal vouchers.
- Calculate rates.
- Review internal controls.
- Process contract payments for consultant, public works, architectural/engineering, construction, and communication services.
- Process invoices for services and supplies.
- Process payroll adjustments.
- Process wage statements for Workers Compensation.
- Process mileage claims.
- Process educational reimbursements.
- Prepare reports.
- Prepare deposit orders.
- Open and close deferred payment accounts.
- Post accounts receivable payments.

2006 Accomplishments:

- Met daily, biweekly, and monthly deadlines for basic services such as payroll, vendor payments, revenue collection, and reporting.
- Met the accounting needs of IWMD as they were requested and agreed to, including preparing financial statements, billing and collecting on deferred payment accounts, reconciling accounts, processing payroll, and processing vendor payments.
- Completed biennial client survey of services performed by IWMD Accounting.
- Continued to implement appropriate changes requested as a result of the client surveys.





HCS Accounting

When the two County departments Housing and Community Development (HCD) and Community Services Agency (CSA) merged in July, 2003, the result was the Housing and Community Services Department. As a result, the Auditor-Controller combined the two agency accounting units that supported these programs CSA Accounting (9 employees) and HCD Accounting (12 employees) into HCS Accounting (21 employees). HCS Accounting staff are located in two buildings – one at 1770 N. Broadway (called the Broadway building) and one at 1300 S. Grand (called the Grand building). The staff that supports OCHA, CDBG and other Housing programs are located in the Broadway building and the staff that supports the Community Investment Division, Office on Aging and other community services programs are located in the Grand building. We conducted a Customer Satisfaction Survey in 2006 and 100% of the respondents indicated that they were “satisfied” or “very satisfied” with the services provided by HCS Accounting.

Broadway Building

HCS administers several federally funded programs in Orange County. The largest of these is the Section 8 Rental Assistance Program administered by the Orange County Housing Authority (OCHA), which provides rental assistance to nearly 10,000 low income families every month at

an annual cost of over \$96 million. HCS Accounting is responsible for issuing over 3,000 checks and 1,000 direct deposits to the landlords for this program every month.

Another large program at Broadway is the Community Development Block Grant (CDBG). This \$5 million federally funded program allows the County to partially fund non-profit organizations which provide programs to disadvantaged groups in the County and public works projects in various cities and unincorporated areas.

An example of a CDBG project in FY 05/06 was the cold weather armory program for homeless persons. The Orange County Development Agency (OCDA) is also administered at Broadway and tax increment funds collected are used to pay for noise insulation projects in Santa Ana Heights (these are the homes that are situated under the JWA flight path) and other unincorporated area projects. Accounting staff at Broadway also work with many different types of loans such as repayments from Affordable Housing loans and processing loans for first time homebuyers. In addition, annual financial statements are required for Section 8 and OCDA so Accountants Simon Chen, Trang Doan and Eric Takanishi spend a lot of time working with our external auditors.



Grand Building

The four programs at this location are the Community Investment Division (CID), Office on Aging (OoA), Human Relations Commission (HRC) and the Veteran Services Office (VSO). HCS Accounting staff spend the majority of their time providing financial support to CID and OoA. CID administers the Workforce Investment Act which provides employment services to unemployed persons to assist them in finding jobs. For example, when the large company Boeing announced pending layoffs, WIA program staff set up offices on site and immediately assisted the affected workers in trying to find similar jobs. CID also administers the Dispute Resolution program which educates persons how to resolve disagreements without involving the courts or attorneys and the Domestic Violence program which provides safe shelters for those that have suffered domestic abuse.

The OoA provides many programs for older adults which are by far, the largest growing section of our population. These programs include bringing meals countywide to seniors who have difficulty getting out of their homes and to senior centers where older adults can come together to eat and socialize.

OoA also administers transportation programs that get older adults to their doctor appointments and other needed trips. They also administer programs that provide health education, senior information and legal assistance to seniors. If you read about a hate crime in Orange County, it is very likely that you will read about the HRC that immediately becomes involved and provides counseling and other assistance to the victims. The VSO provides assistance to Veterans and their families in applying for benefits. One of the biggest challenges encountered by Accounting staff at Grand is annually traveling to each contractor (there are more than 40) and performing fiscal monitoring of their programs.

In summary, HCS programs can be abbreviated as homes, employment zones, loans and brittle bones.





JWA Accounting

Articles about accounting sections typically include an explanation of the business of the agency/department the section supports. In the case of John Wayne Airport (JWA) Accounting, it's an easy explanation, it supports an airport. You may have been a customer of JWA. Maybe you were one of the 9.6 million passengers that passed through JWA's gates last year. Or maybe you pulled one of the 1.7 million tickets at the entrance of one of the parking facilities to park your car to pick up or drop off someone on one of the almost 102,000 commercial or commuter departing and arriving flights. The nine persons who staff JWA Accounting do their best to ensure that JWA can achieve its mission of providing high quality aviation services.

JWA Accounting thoroughly reviews and processes a wide variety of JWA's contract payments and also processes purchase order invoices for payment. In a typical month, the section receives and processes over 300 invoices. Another important responsibility of this section is to ensure that JWA's roughly \$20 million annual debt service payments are made accurately and on time.

JWA Accounting also performs banking deposits and reconciliations, prepares FAA grant claims and Passenger Facility Charges reports, prepares financial statements, and handles special projects.

JWA Accounting also monitors the collection of revenue from sources such as automobile parking. They record and reconcile revenue from JWA's five parking lots and from valet parking. Parking is the biggest contributor, at over 36%, to last year's operating revenues of \$101 million. They also prepare hundreds of monthly statements for aircraft tiedown and hanger leases and various ground transportation providers. This section also monitors the required payments from over 60 lessees that do business at the airport. These lessees include airlines, rental car companies, and the various shops and restaurants in the terminal, such as McDonald's and Starbucks.

Whatever the task or challenge, JWA Accounting staff perform it with enthusiasm and professionalism.



CEO Public Finance Accounting

The Public Finance Accounting unit is assigned to the County Executive Office, Public Finance section. The unit is comprised of seven team members, providing accounting support for approximately 44 debt issues (excluding multi and single family housing); many requiring both debt service and construction funds. These debt issues total almost \$2 billion.

The unit's primary function is to process scheduled debt service payments and to accurately record payment and investment transactions in the County's official accounts. A significant number of the bond issues require that monies be held with a trustee. Trustee bank statements are reviewed monthly and reconciled and transactions recorded in the County's official records.

Accounting for Community Facilities Districts and Assessment Districts involves calculating the annual district tax requirement for the assessment and levy of special taxes against each parcel. The unit prepares the budget for each district and monitors special tax delinquencies to ensure enough taxes will be collected to meet debt service requirements.

The Public Finance Accounting unit has a significant role in preparing the County's Comprehensive Annual Financial Report (CAFR). It prepares debt related footnotes, schedules, bank confirmations, debt confirmations, investment confirmations and accounting entries for the CAFR. The Accounting unit also prepares the annual Orange County Special Financing Authority financial statements that are independently audited. This involves the Teeter program and bonds issued to support the program. Accounting also performs the monthly collection account reconciliation, computation of asset to liability ratio and computation of accrued interest.

Finally, Public Finance Accounting performs several additional duties, including preparing annual federal tax returns and the State Controller's report for the Orange County Public Facilities Corporation and Orange County Public Financing Authority, debt related support for the Orange County Development Agency, and an accounts payable function.





Internal Audit and Staff Services

The Internal Audit Unit is a newly established independent and objective appraisal service within the Auditor-Controller's Office. The Auditor-Controller is responsible for risk identification, and establishing and maintaining a system of internal controls. The Internal Audit Unit's role is to provide an opinion to the Auditor-Controller, Board of Supervisor's and the Audit Oversight Committee on risk management and control, by measuring and evaluating the effectiveness of these controls and systems in achieving the Auditor-Controller's objectives.

The Internal Audit Unit's audit approach is to perform an annual risk assessment that incorporates the Auditor-Controller's risk management process, resulting in an audit plan designed to provide audit coverage to high risk areas. With many upcoming system developments, an important aspect of our plan will include participation in CAPS implementation and other system pilot testing and roll-out projects. Our participation is aimed at identifying potential control weaknesses early in system and workflow development. Additionally, we plan to provide independent and objective consulting services and audit resources to address immediate needs identified by central

management in processing claims, cash, payroll, journal vouchers, and collections.

One important responsibility of the Internal Audit Unit is to perform the Auditor-Controller's legally mandated audits. Pursuant to Government Code, the Auditor-Controller is required to perform quarterly reviews and an annual audit of the Treasury Statement of Assets. Other legal mandates include a biennial audit of the Probation Department's books and accounts, monitoring of Special District financial statements, and investigation of cash losses reported by County Management. By fulfilling the legally required mandates of the Auditor-Controller, internal audit will provide audit experience to staff wishing to obtain a CPA license.

The Staff Services provides professional accounting support to areas of the department that request temporary assistance. An assignment in Staff Services allows the opportunity to gain exposure to many areas of the department and work on a variety of special projects, assist with cyclical workload increases or backfilling for a leave of absence. In the past year, Staff Services participated in Business Plan development and data gathering, assisted the John Wayne Airport Accounting unit with supervision of their Accounts Payable Department, assisted HCA Accounting with the preparation and submission of public health claims, and supported IWMD Accounting with preparation of budget projection worksheets, importation of revenue worksheets and various reconciliations. The unit also maintains and updates the countywide accounting policies and procedures (CAPS) accessible on the County's internet and intranet sites.



CAPS Program Management

The CAPS Program Management Office (PMO) is a small but essential organizational unit which plays a pivotal role in the on-going management of the County's financial, purchasing and human resources information systems collectively known as "CAPS" (Countywide Accounting and Personnel System). The unit is comprised of three members: the CAPS Program Manager, the Financial/Purchasing System Administrator, and the Human Resources System Administrator.

The mission of CAPS PMO is to provide "corporate-level" oversight of the CAPS systems. This includes areas such as: strategic planning, management of an 18 million dollar operations, maintenance, and project development budget, and administration of numerous vendor contracts required to support the systems. Unit responsibilities also include: system operational scheduling and problem resolution stewardship, system maintenance planning and oversight, and security administration. Other areas of responsibility include: the management of a team of 17 staff from Affiliated Computer Services, Inc. (ACS), who supply system technical support, and a team of 7 user support staff from GCAP Solutions, Inc., who supply user training, system documentation and system workflow implementation support.

CAPS PMO is chartered by the Auditor-Controller, County Executive Office, and Human Resources Department, who are the owners of the CAPS systems. While organizationally CAPS PMO is within the Auditor-Controller's Office the unit also reports to the executive CAPS Steering Committee (CSC).

CAPS PMO is committed to a philosophy of continuous system improvement in support of the County's changing business needs, while at the same time keeping the systems operating in a reliable, efficient and cost effective manner. The CAPS Steering Committee has recently elected to upgrade the Financial/Purchasing system to a web based format, and to pursue a value driven replacement strategy for the Human Resources/Payroll system. A team was formed to pursue these upgrades and this team will be led by a Project Manager.





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I. Executive Summary

The Auditor-Controller is the elected County official responsible for providing unbiased and accurate financial information to his many clients. Our internal clients (County Board of Supervisors, departments/agencies and employees) and County vendors count on us to provide financial services such as payment of claims and payroll processing. Conversely we rely on their cooperation to improve the efficiency and effectiveness of our systems. Our many external clients (county cities, schools and special districts) depend on our accurate and timely tax apportionments to fund their organizations. In addition, the Department provides information to various stakeholders who have a vested interest in the effective functioning of the County, such as regulatory agencies, County bondholders, and the general public. These responsibilities require a major investment in personnel and financial/accounting systems, and a significant effort to stay current with technology, new legislation, and governmental accounting pronouncements.

The Department continues to increase Countywide productivity through initiatives to develop electronic workflow processes. These initiatives include the ongoing rollout of payroll adjustment workflow; the office supplies purchasing project; and the Integrated Procurement and Payables Processing system (IP3). Currently, the most widely used workflow process in the County is the Virtual Timecard Interface system (VTI) which was expanded in 2006 to include the Public Defender, Superior Court and the Registrar of Voters. Other initiatives under way include workflow for deposit orders, mileage claims, and journal vouchers. Additionally, the Department rolled out an Employee Pay Stub Portal allowing employees to securely access their biweekly pay stub information on the Web and eliminating distribution of 19,000 paper copies every two weeks.

Of strategic significance, our recent commitment to replace the financial portions of the Countywide Accounting and Personnel System (CAPS) will not only increase effectiveness and efficiency, but will also create opportunities for new ways of doing business. Also, a project to replace the Assessment Tax System (ATS) is under way. The ATS team acquired software development tools and is currently conducting a Needs Assessment for the replacement system.





Business Plan - Executive Summary

The Department's Financial Reporting staff issued the County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006, in compliance with the requirements of the Governmental Accounting Standards Board and received a clean audit opinion from the County's external auditors. It also continues to receive the Government Finance Officers' Association Certificate of Achievement for Excellence in Financial Reporting. In addition to the CAFR, the Department issued its fourth OC Citizens' Report for the fiscal year ending June 30, 2006. This report continues to receive the Government Financial Officers' Association Award for Outstanding Achievement in Popular Financial Reporting. The OC Citizens' Report was completed to complement the CAFR and presents financial highlights for the County of Orange. It is intended for the general or casual reader of the County's financial statements. Both the OC Citizens' Report and the CAFR are easily accessible on the Auditor-Controller's web site (www.ac.ocgov.com).

As in prior years, the Auditor-Controller met regularly with all of his managers and staff, County executives from every department and agency, the CEO, and members of the Board of Supervisors. During these meetings, the Board members and Department executives noted our positive impact on County government, and the value and criticality of services provided by this department. In particular, the Auditor-Controller's vision was shared for improving the County's financial information systems. These visits, combined with information gained from client surveys, meetings with employees, performance measures, and personal observations, were used to assess existing goals.

From this assessment of service requirements, technological advancements and department resources, the Auditor-Controller established the Department's strategic priorities to reflect its vision and mission. This incorporates the Auditor-Controller's desire to increase the efficiency, productivity, and utilization of financial systems through the application of technological enhancements. Additionally, effective July 1, 2007, the Auditor-Controller elected to directly perform his legally mandated audits including those of the County Treasury and Probation Department. These will no longer be contracted out and will require the establishment of a new Internal Audit division in the Auditor-Controller's Office, set apart from the operations of the office.

The Department continued to be successful in many efforts to improve staff well being. We continue to promote employee recognition; improve inter-office communications; support the Management Appraisal Plan and the Labor Management Committee; and develop efficient work environments as well as technical training.

The Auditor-Controller's vision is to be the County's trusted source of financial information to account for the past, direct the present, and shape the future. The Auditor-Controller's mission is to promote public oversight, provide accountability, and support financial decision-making for the County. On the journey to fully achieving this vision and mission, the Auditor-Controller developed ambitious goals involving the entire County as well as the Department. Annual updates on the strategic priorities will reflect the adjustments required to reach these goals (discussed in the next section).

Ongoing changes and increases in County programs constantly impact the Auditor-Controller Department. These challenges make it necessary for the Department to implement the following practices: installing new technology, decentralizing certain activities, and taking a risk-based approach in maintaining control structures. Upon reviewing the goals for 2007 and beyond, the Auditor-Controller believes continuing adaptability will be crucial in fulfilling the vision and achieving the long-term goals. For 2006, the Department accomplished nearly all of the strategic priorities established in its Business Plan. Continued progress towards meeting support-oriented goals (such as technological improvements and modernizing policies and procedures) will help to continue improving the level of services provided to clients.

This 2007 Business Plan emphasizes the importance of adding value to the County's services and programs by continuing the development and implementation of advanced technology, which will result in more efficient and faster processing, retrieval, and compilation of financial data for reporting, payment, claiming, and budgetary purposes. Combined with the continuing analysis of policies and procedures to determine the value of controls relative to business risks, this will serve to increase customer satisfaction while maintaining a sound control environment. By using technology to leverage resources, implementing new accountability measures for the Department, and maintaining a leadership role in oversight of the County's financial activities, we will continue to increase the value of our accounting and financial services.



Business Plan - Vision, Mission & Goals

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A. Vision and Mission

The Auditor-Controller Department's vision, mission statement, and goals for 2007 emphasize the value that its varied operations bring to its clients and stakeholders. The process of developing these core business statements was a collaborative effort involving all members of its management staff and other staff at varying levels throughout the organization, and these statements reflect the needs of the Department's many clients and stakeholders.

As the Auditor-Controller Department carries out its vision and mission, it will conduct business with the highest ethical and due diligence standards and demonstrate commitment to the public, other County departments and agencies, and its own employees.

The Auditor-Controller's vision is to be the County's trusted source of financial information to account for the past, direct the present, and shape the future.

The Auditor-Controller's mission is to promote public oversight, provide accountability, and support financial decision-making for the County.

B. Goals

In order to realize its vision and mission, the Auditor-Controller developed the following long-term goals:

1. Assist in controlling the financial risk faced by the County.
2. Promote accountability by developing and enforcing systems of accounting controls.
3. Anticipate and satisfy our stakeholders' and clients' needs for financial services and reliable information.
4. Increase Countywide organizational effectiveness by making appropriate investments in our staff and technology.

C. Key Outcome Indicators

The Department identified several key outcome indicators to evaluate its overall success in relation to its goals. These indicators have been associated with the strategic priorities discussed in the 2006 Operational Plan presented in Section III. These key outcome indicators are discussed on the following page.

Key Outcome Indicator #1: To receive an unqualified (highest possible) audit opinion and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the County's Comprehensive Annual Financial Report (CAFR).

Outcome Indicator	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures the integrity and accuracy of the County's annual financial statements.</p> <p><u>Why:</u> Provides assurance to the Federal and State governments, investors, and bond rating agencies that the CAFR fairly presents the financial position of the County.</p>	<p>The County received an unqualified opinion for the FY 2005-06 CAFR and expects to receive the GFOA Certificate for the FY 2005-06 CAFR, which is normally awarded in June.</p>	<p>The department plans to continue maintaining the books and records of the County in a manner that will ensure that the County receives an unqualified opinion and the GFOA certificate on its CAFR.</p>	<p>The department expects to achieve the same high level of success for FY 2006-07, by implementing recent pronouncements of the Governmental Accounting Standards Board.</p>	<p>The department plans to continue maintaining the books and records of the County in a manner that will ensure that the County receives an unqualified opinion and the GFOA certificate on its CAFR.</p>	<p>The department achieved both an unqualified opinion and the GFOA Certificate on the CAFR, for FY 2004-05. The department has implemented new post-GASB 34 pronouncements from the GASB in the preparation of the FY 2005-06 CAFR, which was completed in December 2006.</p>

Key Outcome Indicator #2: 99% of all property taxes will be allocated to taxing agencies on time.

Outcome Indicator	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures ability to meet deadlines for computing property tax bills and allocating tax revenues.</p> <p><u>Why:</u> Provides timely revenue to taxing agencies that receive funding from tax revenues.</p>	<p>The department met all property tax deadlines, apportioning over \$5.4 billion in property taxes, penalties, special taxes/assessments, and interest to over 380 individual distributions to cities, schools, special districts and redevelopment projects in 84 separate apportionments.</p>	<p>Scheduled property tax apportionment dates for FY 2006-07 were sent out to all taxing agencies July 20, 2006, and the plan is to meet all of the scheduled dates.</p>	<p>Property tax apportionment dates are scheduled for FY 2006-07, and the department fully expects to meet all property tax deadlines in FY 2006-07.</p>	<p>The department also expects to meet this goal for FY 2007-08.</p>	<p>Property tax apportionment deadlines continue to be met in spite of the complexity of the tax allocation process. All deadlines have been met so far this fiscal year (FY 2006-07).</p>

Key Outcome Indicator #3: 99% of claims and reports will be filed by State and Federal required due dates.

Outcome Indicator	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures compliance with deadlines that assure timely submission of claims and reports and avoidance of penalties.</p> <p><u>Why:</u> The amount of revenue associated with these claims is over \$1 billion.</p>	The department achieved better than 99% compliance.	The department will continue to file claims for State and Federal funds on time, thereby avoiding penalties/sanctions and ensuring funding for the many County programs reliant upon these monies.	The department expects to have 99% compliance in FY 06-07.	The department will remain committed to timely submission of more than 1,600 required claims and reports, in order to maximize revenue, avoid penalties, and maintain funding for the many County programs, which rely on State and Federal funding.	State and Federal funds continue to be claimed in a timely manner.

Key Outcome Indicator #4: Achieve CAPS user satisfaction with Financial and Payroll systems of 90% or higher.

Outcome Indicator	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with support provided by A/C Information Technology Staff.</p> <p><u>Why:</u> To meet and exceed expectations of CAPS users.</p>	Survey was distributed to approximately 2,000 CAPS users. We received 505 responses. Measured satisfaction in key functional areas (Payroll, Job Cost, Claims Processing, etc.) Satisfaction was at 94% for Staff Support and 93% for Quality of Information Provided.	Follow up on comments from 06-07 survey.	We fully expect to meet or exceed targets.	Continue conducting an annual survey to stay on track and address clients' needs.	The results continue to be above the stated goal. The slight decline can be attributed to retirement of key knowledge workers and the age of the system. These will be addressed through improving existing processes and replacing the current systems. The feedback provided through comments will allow us to focus on areas requiring further improvement.

Key Outcome Indicator #5: Reduce internal and external keypunch by 80%.

Outcome Indicator	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures reduction in use of internal and external keypunch.</p> <p><u>Why:</u> Direct entry of information into the system eliminates the need for double entry of data and, coupled with electronic workflow, eliminates the need to have a paper based process.</p>	Software vendor selected. Development of Deposit Order and Mileage Claims workflow under way.	Complete rollout of Journal Vouchers. Eliminate paper-based data entry for any remaining documents.	Elimination of data entry services for all financial and payroll processes.	Exploit any other short-term opportunities in anticipation of CAPS Upgrade.	Project on schedule for implementation of Deposit Orders and Mileage Claims workflow in Q3 of FY 06-07.



III. OPERATIONAL PLAN

The Auditor-Controller Department has updated its Operational Plan for 2007 to match its vision, mission, and goals set forth in Section II. Upon careful examination of our client population and challenges, and the resources available to us, the Department determined that a single operational plan is the most appropriate way to measure its success in attaining each of its goals. This is because the goals are closely inter-related, involve the team efforts of staff working in all sections of the department, and cannot be separated into distinct programs that can be independently measured.

A. Clients

The Auditor-Controller's clients are divided into three major categories: internal clients, external clients, and other stakeholders.

1. Internal Clients

- **Departments/Agencies (the Board of Supervisors, the County Executive Office, and all other departments/agencies that use Auditor-Controller services):**

The Auditor-Controller is the chief accounting officer for the County and operates its central accounting systems. As such, County leadership depends on the Auditor-Controller Department to provide accurate revenue projections and budgetary control over Board-approved appropriations. Other departments and agencies also depend upon the Auditor-Controller to provide timely basic services such as payroll, vendor payments, cost accounting, and general accounting without interruption. This allows the other departments and agencies to concentrate on their core businesses, thereby ensuring that their clients receive service they require and deserve.

SSA Accounting prepared quarterly County expense reimbursement claims and Monthly Assistance Claims totaling over \$600 million.

In addition to these basic accounting services, the department provides specialized accounting services for departments/agencies hosting an outstationed Auditor-Controller accounting team. Examples of these specialized services are the performance of accounting functions such as reimbursement claiming, financial reporting, accounts receivable, accounts payable, payroll, job cost accounting, grant accounting, special information reports for management decision making, providing consultation on special projects, and determining strategies to accomplish business objectives. The outstationed Auditor-Controller teams are located in the Health Care

JWA Accounting established a process to collect, report and reconcile the new Passenger Facility Charge.

Agency (HCA), Housing and Community Services (HCS), the Integrated Waste Management Department (IWMD), John Wayne Airport (JWA), the Resources & Development Management Department (RDMD), the Social Services Agency (SSA), and the County Executive Office/Public Finance Section.

- **County Employees:** County employees rely on the Auditor-Controller for critical services such as payroll and reimbursement programs. The most important product of the department to these clients is payroll services. Without timely, accurate payroll services to compensate its employees, the County could not meet its mission of providing constituents with critical services.
- **Auditor-Controller Employees:** Although services such as payroll are just as important to the Auditor-Controller's own staff, the department also must ensure that its most important resource, its people, are motivated and equipped with necessary tools to accomplish the mission of the department and work diligently towards attaining its vision. Staff development, through improved training opportunities and a performance recognition program, allows the Department to make progress towards these objectives.

2. External Clients - Non-County Clients who receive Auditor-Controller Services.

- **Other Governmental Entities (State agencies, Federal agencies, cities, special districts, school districts, and other governmental or quasi-governmental agencies):** These entities require many forms of reporting, including financial statements and various types of reports, to manage their businesses and comply with the many laws and regulations under which they work. Additionally, many of these entities are dependent on the Auditor-Controller Department to ensure their revenue streams are in place, such as property tax apportionments, Proposition 172 Public Safety Sales Tax funds, and other types of revenue. Basic accounting services are also provided for some specific non-County entities, such as a few independent special districts.
- **Individuals, Vendors, Private Sector Entities, Clients of County Departments/Agencies:** The Auditor-Controller Department makes payments to the County's creditors and vendors, provides information or reports to businesses and individuals, including clients of other departments/agencies, and participates in oversight of public assets for all interested parties through membership in the Audit Oversight Committee, the Treasury Oversight Committee, and the Public Finance Advisory Committee.

RDMD Accounting prepared over \$55 million dollars in Santa Ana River subvention claims for submission to the State.

3. Other Stakeholders - These clients, such as rating agencies, investors, and public oversight groups, overlap with the individuals and private sector entities cited under "External Clients". In addition

HCA Accounting prepared over 200 reimbursement claims generating over \$300 million in revenue for HCA.

to the services provided to external clients, the Department provides other stakeholders with services in the area of oversight and financial information such as annual reports, specifically the CAFR and ballot fiscal analyses. Along with this type of reporting goes the assurance that the overall accounting systems in place are functioning as intended by management.



B. Challenges

The Auditor-Controller Department is constantly challenged by changes in workload resulting from growth of County departments, agencies and their programs, which require greater accounting support from this Department. Examples include the ongoing upgrade of the County's accounting, financial, personnel, and property tax systems; requests from other departments for interfaces with accounting systems to make their departments more efficient; legislative and other legal mandates impacting operational areas; and accounting policy and procedural mandates set by standard-setting bodies such as the Governmental Accounting Standards Board (GASB). Specific challenges facing the Department in 2007 are detailed below.

1. Legislative Mandates/Litigation/Other Mandates

The Auditor-Controller continues to meet the challenges resulting from new legislative and other mandates. The Department must also implement new generally accepted accounting principles (GAAP) for governmental agencies as mandated by the Governmental Accounting Standards Board (GASB). Meeting these challenges requires reallocation of resources and reprioritization of other tasks and, in some cases, delays in completing other tasks. We will continue to track ongoing legislation, litigation, and GASB pronouncements and inform the CEO and Board of significant changes affecting our department. Mandates impacting our 2007 workload include:

The Department received the GFOA Certificate of Excellence for both the CAFR and the OC Citizens Report.

- Starting with the 2007-08 budget year, the Auditor-Controller is electing to directly perform its legally mandated audits of the Treasury (pursuant to Government Code Section 26920) and Probation (pursuant to Welfare and Institutions Code Section 275). This will require three new staff positions and the establishment of a new division, set apart from the operations of the office (see organization chart, Appendix A). As such, this internal audit function will report directly to the Auditor-Controller. This should not result in additional cost to the County, as the positions currently being used to perform the audits within the Internal Audit Division could be transferred to the Auditor-Controller. This function will submit its annual audit plan to the Audit Oversight Committee (AOC), which due to limited staffing will not likely contain work beyond the mandated audits. This function will also submit the audits to the committee and the Board of Supervisors for review. In addition, the Auditor-Controller will recommend a change in the composition of the membership of the AOC. In order to enhance the independence of the audit functions, he will propose increasing the number of public members so that they hold the majority of the positions on the committee.
- The State, in FY 2004-05, implemented legislation referred to as "Triple Flip" which replaced one-quarter percent of local sales taxes with property taxes for Cities and Counties. This exchange has been implemented and is being monitored, and at some future date this flip will be reversed when the State Debt is retired.
- Compliance with Health Insurance Portability and Accountability Act (HIPAA) regulations.
- Implementation of new Governmental Accounting Standards Board (GASB) Statements:
 - a. GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and the required implementation date begins with FY 06-07. GASB 43 requires the measurement and recognition of expenses and related

liabilities, note disclosures, and required supplementary information in the financial reports. In addition, we are working through the requirements of GASB 45, which the County must implement in FY 07-08. Related to GASB 45 is GASB Technical Bulletin No. 2004-2, which clarifies the requirements of Statement No. 45, and will also be implemented in FY 07-08.

- b. Plan for the implementation of GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intro-Entity Transfers of Assets and Future Revenues, which establishes criteria for evaluating whether transactions are regarded as a sale and reported as revenue or regarded as collateralized borrowing and recorded as a liability. Examples include sale of delinquent taxes, or future revenue from tobacco settlement agreements. This statement also includes provisions that stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The requirements are effective beginning fiscal year 2007-08.
- c. Plan for the implementation of GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The requirements are effective beginning fiscal year 2008-09.

General Accounting received the State Award of Excellence in Financial Reporting.

2. Technology

County Accounting and Personnel System (CAPS) Replacement Strategy

The County's financial, purchasing, human resources and payroll information systems, collectively known as "CAPS" ("County-wide Accounting and Personnel System"), are a vital component of the County's infrastructure. These systems are required for County operations such as preparing financial plans, developing budgets, maintaining financial records, generating financial statements, collecting costs for federal and state program billings, procuring goods and services, making vendor payments, processing payroll, and administering personnel records. CAPS is licensed to the County by CGI-AMS, Inc. and is comprised of their multiple Enterprise Resource Planning (ERP) Advantage 2.x software products.

CAPS in its current form is nearing the end of its useful and economic life. On May 2, 2006 and on May 16, 2006 the Board of Supervisors adopted two strategies to address this issue:

- Pursue a CGI-AMS Advantage 3.x upgrade strategy for the County's Finance and Purchasing systems.
- Pursue a value driven replacement strategy for the County's current Human Resources and Payroll systems.

These Board adopted strategies were a result of recommendations proposed by the CAPS Steering Committee (CSC) which is comprised of the County Auditor-Controller, Chief Assistant Auditor-Controller, Deputy CEO/Chief Financial Officer, Director of Human Resources and Employee Relations, and Deputy CEO/Information and Technology. The CSC recommendations were derived from a strategic assessment completed by Gartner, Inc., under the auspices of the CSC, to evaluate alternatives available to the County to replace CAPS.



To initiate the replacement strategies, the Board directed staff to take the following actions:

- Negotiate a fixed price contract with CGI-AMS, Inc. for an Advantage 3.x Finance System Fit Analysis and return to the Board for approval
- Procure, through a competitive bidding process, consultant services to assist the County in the visioning and sourcing of replacement solutions for the County's Human Resources / Payroll systems and return to the Board with a recommendation on a consultant selection

Finance System Fit Analysis

A contract has been established with CGI-AMS, Inc. for the Advantage 3.x Finance System Fit Analysis and the project is under way. The primary objective of the Fit Analysis project is to determine the overall fit between the Advantage 3.x Financial/Purchasing capabilities and the County's system requirements for the following business functions: Chart of Accounts, General Accounting, Fixed Assets, Disbursements, Cost Accounting, Vendor Self Service, eCommerce (commodities purchases) and Contracts (professional services.) Primary objectives also include:

- Quantifying the level-of-effort and related costs to implement the upgrade
- Identifying a technically capable and cost effective platform to run the systems
- Quantifying the costs for operating the systems after implementation
- Developing a project plan, with required funding, for the upgrade implementation

The primary deliverable from the Fit Analysis is an "Upgrade Analysis Document" that contains the following:

- Functional Analysis Results and Implementation Strategy
- Reporting and Data Warehouse Strategy
- Data Conversion Strategy
- System Interface Strategy
- Technical Assessment and Platform Strategy
- Policy and Procedures Strategy
- Upgrade Implementation Plan with Resource Requirements and Costs

The Fit Analysis is expected to be completed by May 2007 at a cost of \$2.57 million including contractor and County staffing costs. Using the Upgrade Implementation Plan developed during the Fit Analysis, a dedicated project team will commence Phase I of the Upgrade Project for the Financial and Procurement systems in July 2007. This phase is expected to last two years.

The core project team will be comprised of between forty and fifty consultants, subject matter experts and business analysts who will be dedicated full-time to this project. The Auditor-Controller has appropriated facilities to locate this team with the assistance of the CEO. Additionally, we will begin "backfill" these positions to provide appropriate support to ongoing operations.

Meeting Continued Service Demands of CAPS Users

Given that a replacement for CAPS is not expected to be in place for a number of years, there are a number of challenges as well as opportunities for the Information Technology (IT) Division.

Ongoing Support

The IT Division not only continues to provide ongoing support of the core financial and payroll accounting systems, but also seeks to find ways to improve processes through automation.

Leveraging Existing Technology

Realizing that implementation of the replacement system will take a number of years, the Auditor-Controller Department will continue to foster an environment that encourages innovation in office automation through small, incremental changes to processes that lay the foundation for larger, more significant changes down the road. Though the changes may be incremental, the impact can be significant and successful implementation will require teamwork, cooperation, commitment and active participation by various systems owners. A number of initiatives are already under way or have been completed:

- Rollout of workflow for processing Payroll Adjustments. The solution replaces a paper based process with an electronic workflow for approval of transactions entered directly into the system. The solution utilizes existing functionality of the AMS Advantage application and has been successfully implemented at SSA, Probation, Public Defender, HCA, Auditor-Controller and Sheriff. John Wayne Airport and RDMD are scheduled for completion in January 2007.
- Rollout of Fund Revenue and Expense Tracking (FRET) system to assist financial managers and Department Heads in tracking actual revenues and expenses. The application utilizes Business Objects, a powerful reporting and analytical tool, to present information in a graphical form that is easy for high-level managers to understand, but when fully implemented, will give analysts the ability to drill down to the minutest detail. This system was rolled out to agencies in 2006.
- Partnering with Integrated Waste Management Department (IWMD) and CEO Purchasing in the Integrated Purchasing and Payables Processing (IP3) project. This project has a number of significant objectives the most important being to standardize the requisition, procurement and payables process via automation. A working model for the entire procurement and payment process will be used as the basis for a Countywide deployment. During the past year, processes have been mapped and key issues have been identified and have been addressed. These include significant cleanup efforts of existing commodity and vendor data to remove redundancies and to make information easier to find. A more intuitive web-based user interfaces and applications have been developed for requisition processing, procurement, receiving and invoice processing. A pilot with IWMD is expected to commence in January 2007.
- Elimination of data entry services. The Auditor-Controller has begun the development of a process to eliminate paper-based processing of Order and Mileage Claims documents.

The Department initiated mileage claim and payroll adjustment workflow projects to enhance administrative efficiency.



Business Plan - Operational Plan

- Ongoing rollout of Virtual Timesheet Interface (VTI). Three agencies, Superior Courts, Public Defender and Registrar of Voters, were added. This brings the number of employees utilizing VTI to approximately 14,700.
- Partnering with Treasurer-Tax Collector for Electronic Funds Transfer (EFT) and Electronic Returned Items Processing. This will allow for electronic payments of vendor invoices and electronic processing of checks returned by the bank.

The above-mentioned initiatives will require a number of resources from the CAPS Support staff resulting in fewer resources available for other enhancement requests. Prioritizing requests will be critical. Greater emphasis will be placed on quantifying the cost/benefit of any significant project such that payback occurs before the system is replaced. To that end, the CAPS Systems Management Team has developed a process to track requests and initiatives and produce a report that the CAPS Steering Committee can use to prioritize and approve requests. Planning for approved requests will be coordinated with CEO-IT as resources and support will be required from their organization.

Assessment Tax System (ATS)

The project to replace ATS is under way. The ATS Team is presently conducting a Needs Assessment for ATS. The scope of this project includes:

- Identifying the processes associated with the Auditor-Controller (AC), Clerk of the Board (COB) and Treasurer-Tax Collector (TTC) Property Tax System.
- Documenting the existing process.
- Identifying areas for improvement in the existing system/processes.
- Developing a comprehensive System Requirements Specification for the new Property Tax System.
- Presenting alternative ways to implement the System, citing the advantages and disadvantages of each approach.
- Creating an Implementation Plan including timelines and expected costs for the development of the AC, COB and TTC Property Tax Management System (PTMS).

The Property Tax Section allocated and distributed over \$5.4 billion in property taxes to schools, cities, special districts, RDA's and the County.

The Needs Assessment phase is expected to be completed in May 2007 and will cost \$1.6 million for consulting services. Upon completion of this phase, the project team will commence the Development and Deployment of the PTMS.

One key element to the ATS strategy will be funding for the project. We have identified approximately \$21 million of General Funds that needs to be incorporated in the Strategic Financial Plan. Some of these funds will be reimbursed through Property Tax Administration charges.

Training Management

The County acquired software for management of employee training. This software provides the ability to manage training schedules, online enrollment, tracking of employee training and certification, and development of specific training programs and curricula for employees. The Auditor-Controller has sponsored the implementation of this software as a pilot both at his Department and at SSA. The software has been implemented at SSA, Auditor-Controller and RDMD.

3. Monitoring and Mitigating Risk

As County departments change and reengineer their business processes to increase efficiencies and implement new technologies, the Auditor-Controller Department is consistently working to control risk at the appropriate level. Over-control of risks can create needless redundancies that add no value to the mitigation process. Failure to modify checks and balances for new business processes can lead to new risks.

County departments are now struggling to reduce their budgets, and as a result they are continuing to implement efficiencies and streamline operations. Performing more work with fewer resources can sometimes lead to unanticipated risks, and the Auditor-Controller Department will be working to ensure that all risk control measures are comprehensively enforced, and that the gate-keeping functions of the office remain secure. This is a high priority for the Department.

The Auditor-Controller's Office directs a wide array of processes to monitor and mitigate risks and looks to new, innovative processes for improvement. Following is a summary of some of these processes:

- **Client Surveys.** A variety of client surveys are conducted and all Auditor-Controller operations are covered within a two-year cycle. This year's surveys are presented in Appendix G.
- **On-Site Tours.** The Auditor-Controller tours all outstationed accounting operations at least once a year and meets with department heads to discuss these operations.
- **Agencies/Departments Visits.** The Auditor-Controller meets with heads of Agencies/ Departments which do not have outstationed accounting staff to discuss services provided by the Auditor-Controller's Accounting Operations and Information Technology Divisions.
- **Status Reports.** Section managers prepare bimonthly status reports based on the "Balanced Score Card" concept. Key internal control areas, such as reconciliations, training, and audits are included as standard topics.
- **Annual Audits.** The Auditor-Controller oversees annual audits of the County's financial records, conducted by an independent CPA firm, resulting in the issuance of a Comprehensive Annual Financial Report (CAFR), Single Audit Report and Component Unit Financial Statements.
- **Claims Unit Reviews.** A new, quality assurance program (spot auditing) was recently implemented in the Claims (Accounts Payable/Contracts) Unit.
- **FRET.** The implementation of the Fund Revenue and Expense Tracking (FRET) system is a key step in reducing financial risk throughout the County (discussed further in Section 2).
- **Claims/Reports Issuance.** We are summarizing our standard procedures for preparing claims/reports and developing a checklist to help ensure these are consistently followed throughout the Department. It will also provide a good training tool for our new accountants.



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- Risk Assessment Survey. A formalized risk assessment project was completed for the department. All units completed a risk analysis and rated their greatest risks using criteria designed to rank risks in order of highest to lowest. The next step was to evaluate existing controls and implement additional controls when necessary. The top risks facing the department were identified. All of these top risks have had measures taken to mitigate the risk, or the current control system is working well with no additional measures needed, or the situation has otherwise improved to mitigate the risk.
- Sponsorship and Participation in the Steering Committees for CAPS and ATS.
- Participation in the Audit Oversight Committee, Treasury Oversight Committee and Public Finance Advisory Committee.

4. Ongoing Need for Training

Training will continue to be emphasized as sophisticated tools, such as data mining for retrieving information, become readily available to the end-user. This is consistent with the strategic view that the capability to manage and process information be pushed down to the user level. Funds needed for training staff on new technology enhancements and other job-related subjects have been included in the Department's Strategic Financial Plan.

5. Succession Planning

Auditor-Controller employees are a key resource for the successful operation of our department as well as other departments/agencies and the County as a whole. The value of our employees is clearly demonstrated by the fact that this department continually has key professional accountants and managers recruited away to other departments. The skills, knowledge and experience gained through service in this department provide a benefit to the other County departments/agencies to which its employees transfer. However, it also creates a vacuum in the Auditor-Controller Department, and the continual need to recruit, select and develop staff to replace those who have transferred. Adding to this, approximately 20% of the department's employees will reach age 55 during the next five years and have 20+ years of County service.

Most recently, we are facing significant staffing changes as we prepare for the Development of a new County Accounting and Personnel System (CAPS). The fit analysis is already underway, requiring a team of approximately a dozen part-time Auditor-Controller employees (as well as vendors and staff from other departments). In June 2007, this team will be dedicated full-time to the CAPS Development Project. As a result, we will need to fill the critical line operations they are vacating. We are already taking actions to train staff, reorganize operations, assess priorities, develop new facilities, and recruit employees to address this pressing issue.

While these circumstances represent opportunities for new ideas through promotions and selection of new staff, they also present a very real dilemma on how to manage turnover in key positions. However, through on-going succession planning, training and recognition of staff talent, we believe that the Department has the ability to fill the critical vacancies with excellent replacements.

C. Resources

The Auditor-Controller Department is organized into three major divisions: (1) Central Operations, (2) Satellite Accounting Operations, and (3) Information Technology. Two smaller sections that comes under the executive management umbrella and report directly to the Auditor-Controller are called CAPS+

System Implementation and CAPS Program Management Office. Also, Departmental administration, including purchasing, human resources, budget, reports directly to the Chief Assistant Auditor-Controller. With a net County cost of \$9 million and \$28 million of cost apply and revenue from services provided mostly to other departments/agencies, the Auditor-Controller is dependent on the General Fund for much of its funding. Current budget issues confronting the County present additional challenges to Department resources and potential associated risk. Starting with the FY 2007-2008, two new divisions will be proposed: Internal Audit and Property Tax. The Organization Chart in Appendix A provides additional information on the current and proposed structure of the Department.

1. Workforce

The Auditor-Controller believes that staff is the Department's most important resource because our accomplishments are dependent upon them. This belief is embodied in the Auditor-Controller's "Statement of Values," and is closely linked to both our Mission and Vision Statements. Staff is the common element in everything this Department does, from processing an accounting transaction to making a vendor payment to monitoring the County's multi-billion dollar budget. This is the case whether those tasks are done in an automated or manual manner.

The success of the Auditor-Controller Department accomplishing its mission is a key to the success of County government meeting its responsibilities to Orange County residents. Part of staff's responsibility is to service all County departments that provide public services. Because of this, the Department has established programs to help ensure that staff has the necessary skills and motivation to carry out their responsibilities. Additionally, the newly implemented Training Partner (TP) system, has allowed employees to monitor, assess, and manage their professional training.

Staff has utilized the Training Partner software for all mandated FEMA training courses to track and monitor employee training.

A key part of the Department's training efforts is the Thomas P. Horton (TPH) Accountant Training program implemented in 2001. This program provides our beginning accountants with the basics of governmental accounting and the specific processes we use to serve our clients. The Auditor-

In 2006 twenty-seven new accountants have been trained and completed the required TPH Accountant Training program.

Controller Department recognizes the importance of this knowledge for all County financial staff; therefore, we plan to open the TPH Accountant Training program to other departments as space permits.

The emphasis on training and staff recognition are evident throughout this business plan. Minimum standards have been established for training, and recognition programs were developed and implemented, and have been, in some form, adopted by the County. Also, the Department's annual employee recognition efforts culminate at the employee recognition and awards luncheon where all staff's hard work and accomplishments are acknowledged.

Regardless of the difficulties the County must overcome, the quality of staff is the constant among our resources and must be maintained. Staff will be required to accomplish the critical tasks and the growing workload without commensurate increases in numbers. Key concepts that the County must embrace to meet its challenges are training, recognition, communication, and empowerment of staff.



2. General Funding

The centralized accounting services provided by the Central Operations Division are financed by general-purpose revenues of the General Fund, with the exception of Collections/Accounts Receivable, which is reimbursed by client departments. The outstationed accounting teams in the Satellite Accounting Operations are funded entirely by the host departments/agencies (HCA, HCS, IWMD, JWA, RDMD, CEO/Public Finance, and SSA) that have outside revenue sources. The Information Technology Division functions are funded with general-purpose revenues of the General Fund.

3. Technology Issues

In order to meet the changing workload demands identified in the “Challenges” section and to maintain a high level of services to its clients, the Department has identified specific resource issues, which are discussed below:

- ◆ Information Technology Division. As described earlier, staff is involved in the implementation of a number of significant process improvements using existing technology. Such efforts will continue to go on, as a new ERP application is not expected to go live for a number of years. Another reason to continue with these initiatives is that they will leave the County better prepared to implement the new ERP. Users who have already been through the exercise of business process improvement will be more receptive to the “Best Practices” that will come with the new ERP.
- ◆ Consultants. In addition to day-to-day responsibilities, staff is expected to devote considerable time working with consultants in implementing the CAPS replacement strategy. We anticipate that we will be able to complete these tasks using existing resources, which includes three limited term positions.
- ◆ CAPS. Additional limited-term Information Technology resources will also be required to support implementation of the upgrade. In addition, end-user staff is likely to be required to commit resources to be part of the project team. Limited-term staffing will be required to backfill these positions.
- ◆ ATS. Additional limited term resources have been authorized to support the ATS reengineering project. Consulting services are expected to be engaged during the Development and Deployment phase of the PTMS.

D. Strategies to Accomplish Goals:

Strategic priorities and outcome indicators for each of the Department’s goals were established for 2006. Although there are numerous strategic priorities, it is important to note that most of the Department’s resources will be expended on two of them: the successful daily operations of the County’s central accounting systems under Goal #1 (36%), and the provision of ongoing accounting services to host County departments/agencies under Goal #2 (64%).

Goal #1 is to assist in controlling the financial risk faced by the County. Strategies to accomplish this goal include:

- ◆ Performing the audits of the County Treasury as required by law.
- ◆ Maintaining a leadership role on the County's financial management team for issues relating to financial oversight activities.
- ◆ Providing additional information to management allowing increased oversight.
- ◆ Reviewing the costing of collective bargaining strategies and contracts as directed by the Board of Supervisors.

A. The Outcome Indicator for this goal is to perform the required audits and to issue the required reports timely.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<u>What:</u> Quarterly and annual audits of the County treasury. <u>Why:</u> Provide assurance to the public that the cash and investments on hand are equal to those reported by the Treasurer.	New performance measure.	New performance measure.	New performance measure.	Perform audits of the Treasury for the quarters ending 6/30/07, 9/30/07, and 3/31/08 and the annual audit for the year ended 12/31/07.	New performance measure.

B. The Outcome Indicator for this goal is to produce quarterly sets of FRET reports for review by department fiscal managers.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<u>What:</u> Quarterly reporting of financial information, revenue and expenditures. <u>Why:</u> Provide data to departments/agencies on a regular basis to monitor budgetary standing.	Upgraded Server Platform, developed Report delivery process, implemented pilot project, and began quarterly rollout to Departments / Agencies .	Develop additional measures and enhance dashboard functionality. Assess functionality in CAPS upgrade system.	Additional reporting and measures.	Continue adding functionality as required.	With the assistance of CEO Budget and Finance, we have enhanced reporting and have begun an outreach to financial managers.

C. The Outcome Indicator for this goal is have the Auditor-Controller represented on the following oversight committees: Treasurer Oversight Committee (TOC), Audit Oversight Committee (AOC), and Public Financing Advisory Committee (PFAC), CAPS Steering Committee Chairman, ATS Steering Committee, and the County's Health & Wellness Commission.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
What: Auditor-Controller staff will attend 100% of these committee meetings. Why: To provide representation and oversight to these committees.	New Measure.	Staff will attend all meetings.	100% of all meetings were attended by A-C staff.	Staff will attend all meetings	Continue to provide full support for these oversight committees.

D. The Outcome Indicator for this goal is to provide fiscal advice to the Board of Supervisors on all collective bargaining units.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
What: Meet and review bargaining strategies with the Board of Supervisors in closed sessions and provide advice as appropriate. Why: To provide fiscal advice on all collective bargaining agreements.	New Measure.	Review all collective bargaining strategies with the Board of Supervisors and provide advice as appropriate.	The Auditor Controller has responded to all requests to provide fiscal advice to the Board of Supervisors. In particular, the Auditor-Controller played a pivotal role in the negotiation of a revised Retiree Medical Program resulting in an estimated annual savings of \$800 million.	Review all collective bargaining strategies with the Board of Supervisors and provide advice as appropriate.	Continue to review fiscal advice on all collective bargaining agreements, as requested by the Board of Supervisors.

Goal #2 is to promote accountability by developing and enforcing systems of accounting controls. Strategies to accomplish this goal include:

- ◆ Continuing to successfully meet the daily operations of the County's central accounting systems.
- ◆ Staying current with all critical recurring accounting operations.
- ◆ Assessing the risk and the adequacy of controls of the County's major transaction processing systems maintained by the Auditor-Controller.

A. The Outcome Indicator for this goal is to receive a certified opinion in a timely manner on compliance with laws, regulations, and provisions of contracts or grants that could have a material effect on each major Federal program administered by the County.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures compliance with requirements in administering Federal and State programs.</p> <p><u>Why:</u> Provides assurance to Federal and State agencies that there are no material weaknesses in controls affecting compliance.</p>	<p>The County received an unqualified opinion in all areas covered by the Single Audit Reports for FY 2004-05. The County administered over \$681 million in Federal dollars during FY2005-06, which funded approximately 177 Federal programs.</p>	<p>Continue to monitor and review accounting controls on Federal grant programs so that there are no material weaknesses in the accounting system for the Single Audit Reports for FY 2005-06 and FY 2006-07.</p>	<p>The department expects to obtain a certified opinion, in a timely manner in FY 2005-06 and FY 2006-07.</p>	<p>The department fully expects to receive certified opinions in a timely manner for all accounting related areas in FY 2007-08, and to continue to meet the requirements of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133.</p>	<p>The County has received unqualified opinions in all accounting related areas covered by the Single Audit Reports for the past several years, with no material weaknesses in accounting controls.</p>

Goal #3 is to anticipate and satisfy our stakeholders' and clients' needs for financial services and reliable information. Strategies to meet this goal consist of:

- ◆ Providing ongoing accounting services to departments/agencies.
- ◆ Assessing customer satisfaction.
- ◆ Supporting special projects requested by clients.
- ◆ Preparing fiscal analyses of County ballot initiatives as requested by the Board of Supervisors.
- ◆ Increasing the use of web-based information.

A. The Outcome Indicator for this goal is to receive a rating of at least 95% in overall satisfaction in the department's biennial Countywide client surveys of the department's outstationed accounting sections (judgmental sample).

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with services of the Satellite A-C Department accounting sections.</p> <p><u>Why:</u> To meet and exceed expectations of County clients.</p>	<p>The department exceeded its rating goal in the survey of its outstationed accounting sections, sent to County departments and agencies in 2006. 98.65% of these clients were "Very Satisfied" to "Satisfied" with the department's services.</p>	<p>We plan to continue conducting our biennial surveys, alternating between central and outstationed accounting sections, and meet or exceed the rating goal.</p>	<p>We plan to meet or exceed the rating goal.</p>	<p>We plan to continue conducting our biennial surveys, alternating between central and outstationed accounting sections, and meet or exceed the rating goal.</p>	<p>The department continues to receive high satisfaction ratings for its outstationed satellite accounting teams.</p>

B. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the department's annual survey of County vendors (judgmental sample).

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures vendors' satisfaction with services provided.</p> <p><u>Why:</u> To meet and exceed the expectations of County vendors.</p>	<p>The department received a rating of 86% in overall satisfaction in its survey of vendors conducted in 2006. The Courtesy section rating of the survey was 97%.</p>	<p>The department expects difficulty in accomplishing this goal for FY 06-07. We expect high turnover rates to continue and there will be no major changes to business processes or systems until the new CAPS implementation is complete in 2009.</p>	<p>The department expects to achieve an "overall" rating of 85% in its vendor survey of 06-07.</p>	<p>The department will conduct this survey again in both 06-07 and 07-08.</p>	<p>Overall satisfaction increased 2% from the prior survey. This increase is significant considering the section has experienced continued turnover in staff. The survey showed that courtesy continued to be rated highly, however timeliness and responsiveness are still below our target goal of 90%. As job training continues, productivity will increase and we expect continued growth toward higher ratings in our next survey period.</p>

C. The Outcome Indicator for this goal is to receive a rating of at least 95% in overall satisfaction in the department's biennial client surveys of the department's Property Tax Services.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with services of the Property Tax Section.</p> <p><u>Why:</u> To meet and exceed expectations of county clients.</p>	<p>100% of the tax apportionment recipients in 2006 were "Very Satisfied" to "Satisfied" with the department's overall property tax services.</p>	<p>We plan to continue conducting our biennial surveys, and to meet or exceed the rating goal.</p>	<p>We plan to meet or exceed the rating goal.</p>	<p>We plan to continue conducting our biennial surveys, and to meet or exceed the rating goal.</p>	<p>The department continues to receive high satisfaction ratings for its property tax accounting services.</p>

D. The Outcome Indicator for this goal is to receive a rating of at least 90% in overall satisfaction in the department's annual client surveys of the department's Information Technology unit.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures client satisfaction with the quality of information provided by the CAPS system and the level of service provided by staff.</p> <p><u>Why:</u> To meet and exceed expectations of County clients.</p>	Over 90% of the CAPS system users in 2006 were "Very Satisfied" to "Satisfied" with the quality of information provided by the CAPS system and the level of service provided by staff.	We plan to continue conducting our surveys, and to meet or exceed the rating goal.	We plan to meet or exceed the rating goal.	We plan to continue conducting our surveys, and to meet or exceed the rating goal.	The department continues to receive high satisfaction ratings for the quality of information provided by the CAPS system and the level of services provided by staff.

E. The Outcome Indicator for this goal is to meet all biweekly payroll deadlines for all 26 pay periods.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures ability to meet biweekly County payroll deadlines.</p> <p><u>Why:</u> To ensure the delivery of County services by County employees, and to maintain the financial well being of the employees themselves.</p>	The biweekly payroll deadline was met for all pay periods in FY 2005-06.	The department expects to successfully complete all payroll cycles and meet all payroll deadlines for the year.	The department fully expects to continue to meet all biweekly payroll deadlines in FY 2006-07	The department also expects to meet this goal through FY 2007-08	Despite the many complex terms and conditions required by various MOUs for 19,000 employees, the computation and issuance of the \$55 million biweekly payroll are met for each pay period.

Goal #4 is to increase Countywide organizational effectiveness by making the appropriate investments in our staff and technology. Strategies to meet this goal include:

- ◆ Continuing to stay current with American Management Systems (AMS) financial and human resources software product releases.
- ◆ Maximizing the usability of existing accounting systems by expanding the use of existing assets such as ERMI, the Data Warehouse, functional user groups, VTI, Business Objects and workflow.
- ◆ Implementing Online Training Management software to allow for easy enrollment in classes for County employees while allowing supervisors and managers to easily track progress of their staff.
- ◆ Encouraging decentralized, secure, web-based transaction processing as a means to increase productivity and reduce processing time.
- ◆ Enhancing work area efficiency and effectiveness.
- ◆ Improving staff well being through employee training, recognition and other programs.
- ◆ Continuing to fulfill the requirements of the Countywide performance management plans.
- ◆ Developing leadership skills of staff to meet future requirements for succession to leadership positions.

The Outcome Indicators for this goal are as follows:

A. To reduce payroll processing labor hours by 25%.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures labor hours saved resulting from automation.</p> <p><u>Why:</u> Manual payroll processing is labor intensive, time consuming and prone to errors. Payroll adjustments resulting from errors are even more costly.</p>	Completed rollout of VTI at agencies (Superior Courts, Registrar of Voters, and Public Defender). Implemented VTI 4.4. Worked with Probation on agency specific changes.	Complete rollout of VTI. Also resurvey departments on outcome measures.	Completion of rollout. Assess additional functionality of system to improve business processes.	Assess potential replacement system in new HR solution.	25 of 26 agencies are now on VTI.

Please see Key Outcome Indicators #4 and #5 on pages 32 and 33 for additional measures related to this goal.

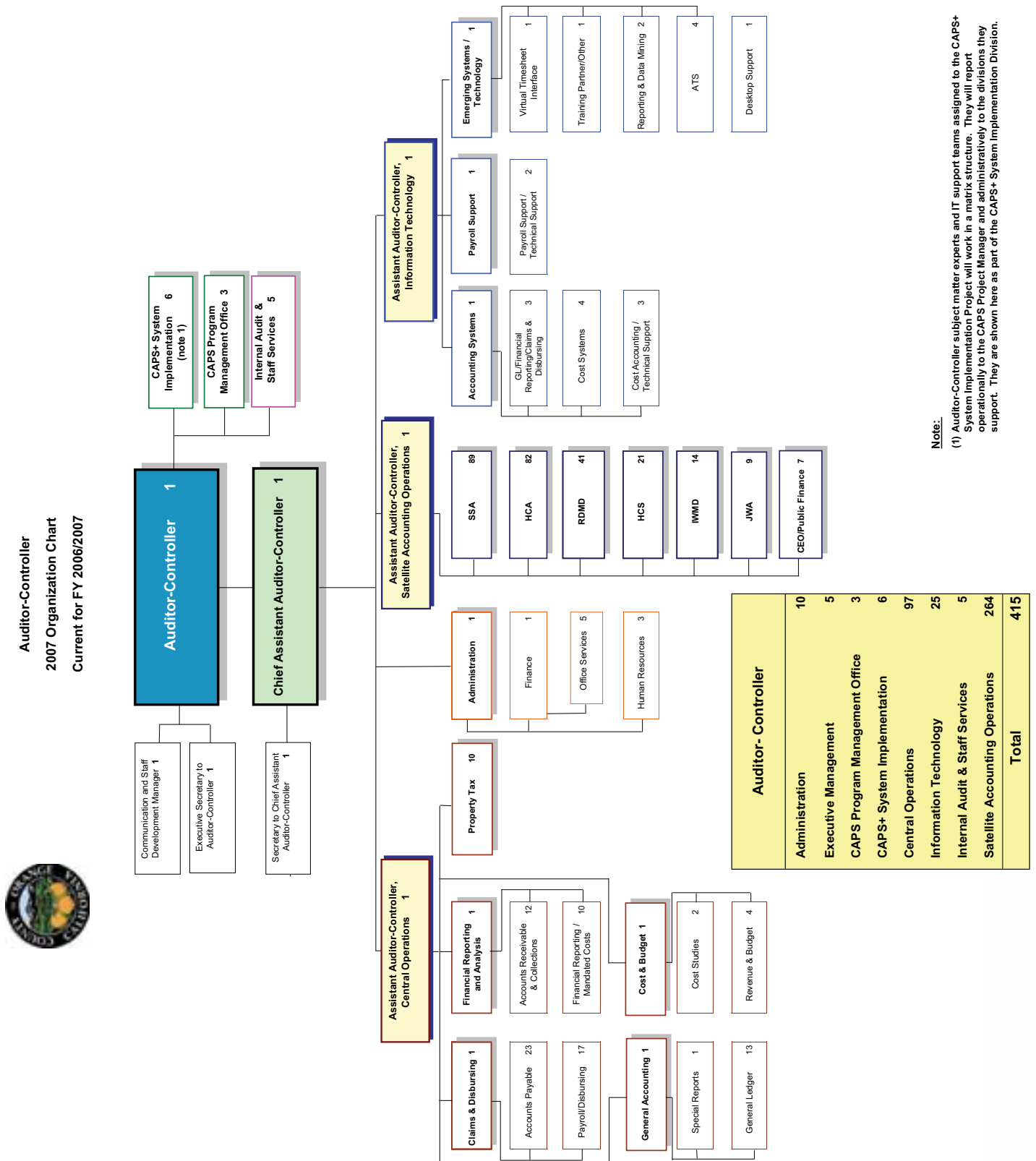
B. Efficiency measures of transaction cost.

Performance Measure	FY 05-06 Results	FY 06-07 Plan	FY 06-07 Anticipated Results	FY 07-08 Plan	How are we doing?
<p><u>What:</u> Measures transaction cost.</p> <p><u>Why:</u> To determine over time what the transaction cost for processing A/P invoices are and what impact if any results from increased workflow and decentralization.</p>	Results for 05-06 are \$7.49 per invoice in total direct costs per invoice paid in central claims.	Compute the direct incremental costs associated with vendor invoice payment processing in central claims on a per invoice basis.	Results for 05-06 are \$7.49 per invoice in total direct costs per invoice paid in central claims. We anticipate that the 06-07 cost per invoice would be close to the 05-06 rate.	Compute 07-08 costs on the same basis as in 05-06.	Costs are in line with expectations and are actually lower when adjusted for inflation.

IV. APPENDICES

- A. Organization Chart
- B. Leadership Cabinet
- C. Labor Management Committee
- D. Business Plan Team
- E. Accomplishments
- F. Client Survey Results
- G. Three-Year Workload Measures

A. ORGANIZATION CHART (Current and Proposed)

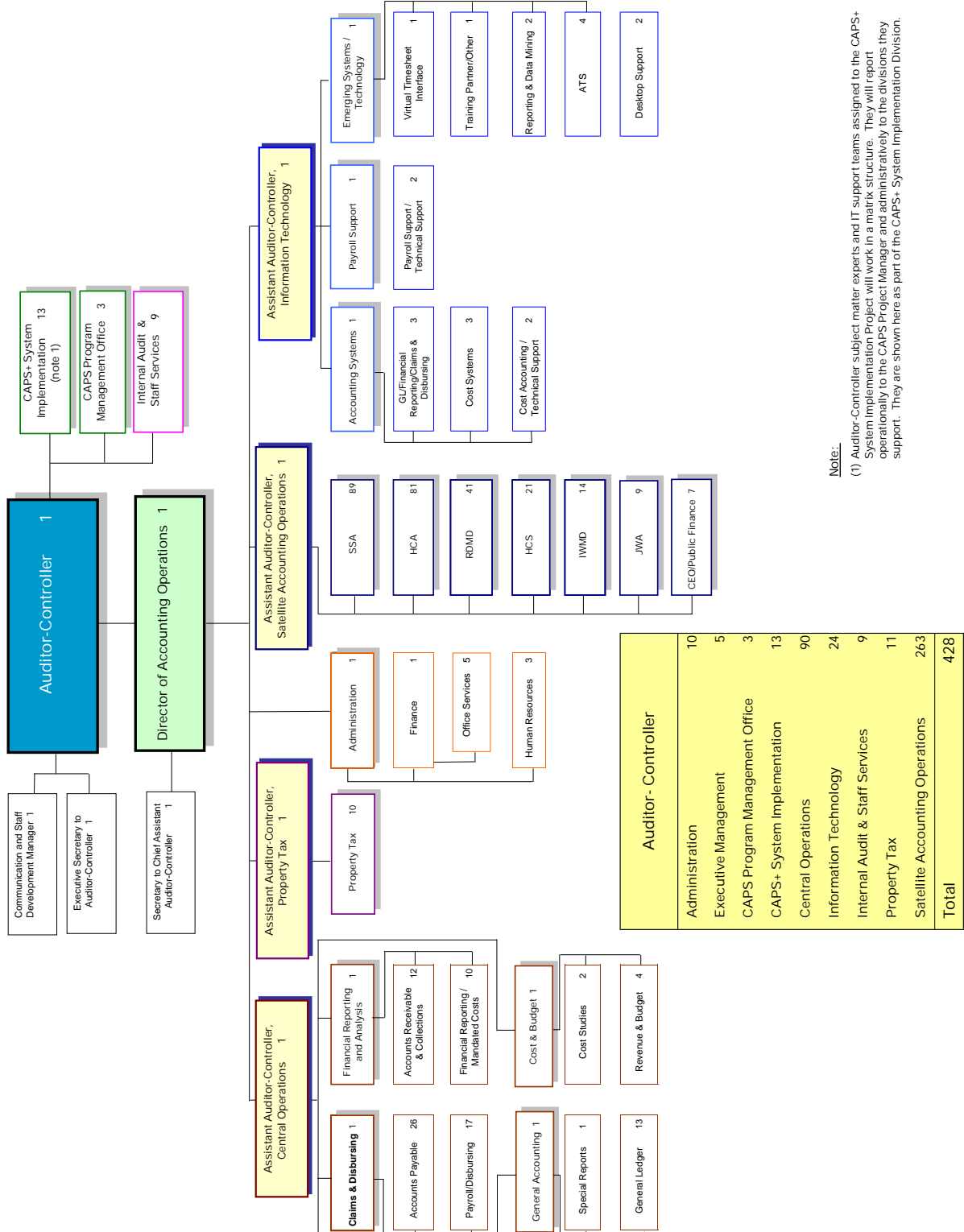


Note:

(1) Auditor-Controller subject matter experts and IT support teams assigned to the CAPS+ System Implementation Project will work in a matrix structure. They will report operationally to the CAPS Project Manager and administratively to the divisions they support. They are shown here as part of the CAPS+ System Implementation Division.



Auditor-Controller
2007 Organization Chart
"Proposed" for FY 2007/2008



Note:
(1) Auditor-Controller subject matter experts and IT support teams assigned to the CAPS+ System Implementation Project will work in a matrix structure. They will report operationally to the CAPS Project Manager and administratively to the divisions they support. They are shown here as part of the CAPS+ System Implementation Division.



B. LEADERSHIP CABINET

The Leadership cabinet is comprised of senior managers in the Department and is designed to enhance their knowledge of the Department and County through discussion of issues of importance to both the Department and the County. The Cabinet meets monthly and serves to keep the Department's senior managers apprised of issues affecting the County in general and the Auditor-Controller's Department in particular. This serves not only to enhance the day-to-day functioning of the Department, but also to provide the future top leaders with knowledge of the processes employed in making high-level decisions.

Leadership Cabinet Members

David Sundstrom, Auditor-Controller

Shaun Skelly, Chief Assistant Auditor-Controller

Jan Grimes, Assistant Auditor-Controller, Central Operations

Phil Daigneau, Assistant Auditor-Controller, Information Technology

Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations

Terri Bruner, Administration and Human Resources

Steve Rodermund, CAPS Program Management Office

Frank Davies, Property Tax Manager

Espi Garcia, SSA Accounting Manager

Mary Fitzgerald, RDMD Accounting Manager

Colin Hoffmaster, General Accounting Manager

Bob Leblow, Claims and Disbursing Manager

Claire Moynihan, Financial Reporting and Analysis Manager

Alice Sworder, HCA Accounting Manager

C. LABOR MANAGEMENT COMMITTEE

The Labor Management Committee (LMC), composed of members from the Auditor-Controller and Internal Audit Departments, was formed to encourage a cooperative, collaborative partnership approach to addressing and resolving workplace issues. This forum provides an opportunity for labor and management representatives to promote and maintain harmonious labor/management relations. This committee meets regularly to discuss and achieve mutually acceptable solutions to workplace issues, and to address other matters of concern affecting staff in the departments.

Auditor-Controller LMC Members

Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations

Anthony Carrillo, Senior Accountant, SSA Accounting

Susan DeBaun, Manager, Human Resources

Larry Edwards, Sr. Accounting Assistant, Claims/Accounts Payable-Non P.O.

Claire Moynihan, Manager, Financial Reporting and Analysis

Denise Steckler, Manager, Financial Reporting and Mandated Costs

Josie Velasquez, Manager, RDMD Accounting



Business Plan - Appendices

D. BUSINESS PLAN TEAM

David E. Sundstrom, Auditor-Controller

Shaun Skelly, Chief Assistant Auditor-Controller

Jan Grimes, Assistant Auditor-Controller, Central Operations

Phil Daigneau, Assistant Auditor-Controller, Information Technology

Bill Castro, Assistant Auditor-Controller, Satellite Accounting Operations

Terri Bruner, Manager, Administration and Human Resources

Cindy Wong, Manager, Finance

Cecilia Novella, Manager, Executive Administration

Jim Christiansen, Manager, Finance and Administrative Services



E. ACCOMPLISHMENTS

The Auditor-Controller Department's success in meeting the goals set forth in its 2006 Business Plan is outlined below.

Legend:

- ✓ Objective met.
- Objective pending.

Goal #1: To assist in controlling the financial risk faced by the County.

❖ Provide additional information to management allowing increased oversight.

- Anticipated successful pilot for Fund Revenue / Expense Tracking (FRET) System.

❖ Meet audit and oversight requirements of the Comprehensive Annual Financial Report, the Treasury Oversight Committee, the Audit Oversight Committee, the Public Finance Advisory Committee, and others.

- ✓ Auditor-Controller and /or representative attended all scheduled meetings
- ✓ Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2004-05 CAFR.

❖ Maintain a leadership role on the County's financial management team for issues relating to financial oversight activities

- ✓ Participated in the Strategic Financial Planning.
- ✓ Wrote analysis on several financial issues.
- ✓ Prepared four General Fund Available Financing Reports as requested by the CEO.
- ✓ Provided General Fund level revenue data to the CEO and CSUF consultants for use in the Strategic Financial Plan.
- ✓ Supplied debt service and bond-related information to CEO/Strategic & Intergovernmental Affairs.
- ✓ Participated on the Strategic Financial Planning Committee.

❖ Work with the Internal Audit Department to determine responsibility for ensuring completion of certain audits needed to satisfy Auditor-Controller audit mandates and Internal Audit's risk assessment results.

- ✓ Determined that all Auditor-Controller mandates were met.



❖ Special Projects

- ✓ Analytical support for labor negotiation process.
- ✓ Chair of the Measure M Citizens Oversight Committee.
- ✓ Maintained appropriation control over a \$4.9 billion budget
- ✓ Participated in the oversight of the investment of the county's \$5.5 billion investment pool
- ✓ Helped oversee the county's control structure through the Audit Oversight Committee
- ✓ Reviewed the county's financings through participation on the Public Finance Advisory Committee
- ✓ As chair of State Auditor Controller Association's legislative committee, assisted in preventing costly and needless legislation detrimental to the county
- ✓ Promoted the accounting profession at the national and state level by active participation in the Western Intergovernmental Audit Forum and the National Intergovernmental Audit Forum
- ✓ Successfully allocated \$5.4 billion in property taxes
- ✓ Assisted in the resolution of the Bunker case settlement
- ✓ Assist in the Barrett case
- ☐ Participation in County Wellness Commission
- ☐ Oversee implementation of GASB 43 and GASB 45
- ☐ Participation in Information Technology Working Group

Goal #2: To promote accountability by developing and enforcing systems of accounting controls.

- ✓ Implementation of on-line chart of accounts.
- ✓ Improved CAPS security by instituting a self-audit program
- ✓ Met service level objectives for the financial system (both reporting and processing).
- ✓ Met goal of enforcing system of internal controls.

❖ Successful daily operation of the County's central accounting systems and operations.

- ✓ Completed the County's FY 2005-06 CAFR and component unit financial statements in compliance with Generally Accepted Accounting Principles (GAAP) by scheduled deadlines with unqualified audit opinions for all statements. This required implementing the following new GASB accounting standards:
 - GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

- GASB Statement No. 44, “Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1.”
 - GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation – an amendment of GASB No. 34.”
 - GASB Statement No. 47, “Accounting for Termination Benefits.”
 - GASB Technical Bulletin No. 2006-1, “Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D.”
 - ✓ Met daily, biweekly, monthly or other deadlines for basic services such as payroll, property tax distributions, vendor payments, revenue collection and reporting, appropriation/budget control, reports to the Board, and submission of State and Federal reports.
 - ✓ Met predetermined time frames for closing the County’s books after year-end in FY 2005-06.
 - ✓ Successfully and accurately completed execution of retroactive pay and other complex retroactive changes in benefits to various labor groups.
- ❖ **Stay current with all critical recurring accounting operations.**
- ✓ Completed 1st (budgetary basis) and 2nd (CAFR fund level), and 3rd (government-wide) fiscal year-end closing processes of County’s books timely for FY 2005-06.
- ❖ **Assess the risk and the adequacy of controls of the County’s major transaction processing systems maintained by the Auditor-Controller.**
- ✓ Additional controls implemented for Electronic Funds Transfer in Financial and Payroll Applications.

Goal #3: To anticipate and satisfy our stakeholders’ and clients’ needs for financial services and reliable information.

- ❖ **Provide ongoing accounting services to departments/agencies.**
- ✓ Completed site visits with department heads of host departments/agencies to assess satisfaction in meeting their accounting needs.
 - ✓ Received feedback that the department is meeting the accounting needs of host departments/agencies as they were requested and agreed to, including claiming, payroll, reconciliations, cash monitoring, etc.
 - ✓ Maintained agreements with client departments/agencies to identify accounting activities and responsibilities, which are being reviewed.
 - ✓ Implementation of Employee Pay Stub Application
 - ☐ Rollout of Pay Adjustment Workflow to County Agencies



❖ Assess customer satisfaction.

- ✓ Completed biennial client survey of services performed by Auditor-Controller Satellite Accounting Operations.
- ✓ Completed annual client satisfaction surveys of vendors, and received high satisfaction ratings.
- ✓ Completed biennial survey of services provided to property tax recipients (cities, schools, redevelopment agencies, and special districts) and received high satisfaction ratings.
- ✓ Continued to implement appropriate changes requested as a result of our client surveys.

❖ Support special projects.

- ✓ Worked with CEO and HCA on implementation of Health Insurance Portability and Accountability Act (HIPAA) requirements, including the Security Rule phase.
- ✓ Completion of deferred revenue account analysis and reclassification.
- ✓ Completed client satisfaction surveys.
- ✓ Successful implementation of the 2005 succession plan.
- ✓ Completed mandated, department wide NIMS Training.
- ✓ Participated in the State Association of County Auditors as the President.
- ✓ Assisted in designing, building, testing modifications, and implementation of the “ProFit” billing module of HCA’s management information system.
- ✓ Participated on the CalWIN implementation team.
- ✓ Rollout of online office supply purchasing system at HCA.
- ☐ Assisting in the development of a CAPS disaster recovery plan.
- ☐ Participation in Labor/Management Retiree Medical Working Group.

Goal #4: To increase Countywide organizational effectiveness by making the appropriate investments in our staff and technology.

❖ Stay current with AMS Financial and Human Resources Software Product Releases.

- ✓ Increased accountability and access through ERMI and the website.
- ✓ Implemented the latest subreleases of AMS Financial and HR software product.

❖ Evaluate new financial system modules such as fixed assets, retro-pay and 3-way match, and implement if appropriate for the County.

- ☐ Feasibility analysis for Fixed Asset Subsystem deferred until CAPS Replacement Project.
- ☐ Testing of 3-Way Match functionality for the IP3 project.

❖ **ATS Replacement.**

- ✓ Commenced and made significant progress in the Needs Assessment engagement with consultant.

❖ **Maximize usability of existing accounting systems for Auditor-Controller and other County users by expanding the use of existing assets such as ERMI, the Data Warehouse, functional user groups, VTI, and workflow.**

- ☐ Continuing to work jointly with GCAP Business Services to identify Desktop (GUI) business functions and workflows. Also rolling out workflow projects for payroll adjustments.
- ☐ Continuing to develop tasks on establishing formal channels of communication with CAPS user groups, in concert with refinement of the CAPS Strategic Plan. Creation of a Payroll Users Group is in the planning stages.
- ☐ In conjunction with CEO, continued implementation of the “CAPS University” with training and supporting documentation for all areas of the CAPS Systems. Developed and presented an Advanced Client ERMI training class.
- ☐ Further Countywide rollout of the virtual timesheet interface. Implemented three more agencies onto VTI that included Public Defender, Superior Court and the Registrar of Voters.
- ☐ Anticipated successful pilot for Integrated Procurement & Payables Processing (IP3) Project.
- ✓ Continuing to develop appropriate survey instruments to measure progress in meeting financial system users’ needs, in concert with refinement of the CAPS Strategic Plan.
- ✓ Converted all VTI agencies to version 4.3.
- ✓ Implemented all required changes to the CAPS Systems mandated by County, State, and Federal entities. Examples include:
 - Implemented all negotiated MOU changes to the Payroll System.
 - Revised Federal and State annual wage reporting.

❖ **Encourage decentralized, secure, web-based transaction processing as a means to increase productivity and reduce processing time.**

- ✓ Successfully partnered with Treasurer/Tax Collector and the County’s banking service provider to pilot the “Desktop Deposit” process. This enables secure, electronic transfer of check images to the bank, thereby eliminating the need for handling of the paper check document and speeds up check clearance times.

❖ **Encourage decentralized transaction processing as a means to increase efficiency by moving the controlling process to where the authorization is exercised.**

- ✓ Successful pilot implementation of internet based office supplies procurement / invoicing system.
- ☐ Pilot program to workflow deposit orders and mileage claims.



❖ **Enhance work area efficiency and effectiveness.**

- ✓ Remodeled office areas in central operations.
- ✓ Financial Reporting, Information Technology, Cost, Administration, Property Tax Section, and ATS unit relocation and remodel completed.
- ✓ Improved office physical security access.
- ☐ Remodel of basement area in Building 12 to accommodate training rooms and additional office space.

❖ **Improve staff well being through employee training, recognition and other programs.**

- ✓ Performed market surveys for Accountants and achieved market adjustments for Accounting series staff which will significantly improve staff retention in the tight labor market.
- ✓ Continued publication of newsletter to increase communication throughout the department.
- ✓ Continued development of employee recognition program that allows managers, supervisors and employees to acknowledge outstanding achievement.
- ✓ Provided additional employee training and staff development opportunities.

❖ **Develop leadership skills of staff to meet future requirements for succession to leadership positions.**

- ✓ Continued leadership cabinet, which meets on a monthly basis.
- ✓ Continued TPH Training for new accountants on a yearly basis.
- ✓ Expand TPH Training to semi-annual basis and include financial staff from other departments when space permits.

❖ **Provided additional employee training and staff development opportunities.**

- ✓ Management participation in the OC Leadership Academy.

❖ **Support special technology projects.**

- ✓ Expanding the concept of document imaging throughout the department.
- ☐ Create a web portal for citizen access to expired check information.

❖ **Review Systems function to leverage financial information resources.**

- ✓ Conducted Strategic Assessment of CAPS future direction.
- ☐ Assessing resource needs to implement new financial system modules while providing ongoing support for daily operations.

F. CLIENT SURVEY RESULTS

The following summarizes the results of the Client and Vendor Surveys conducted earlier this year:

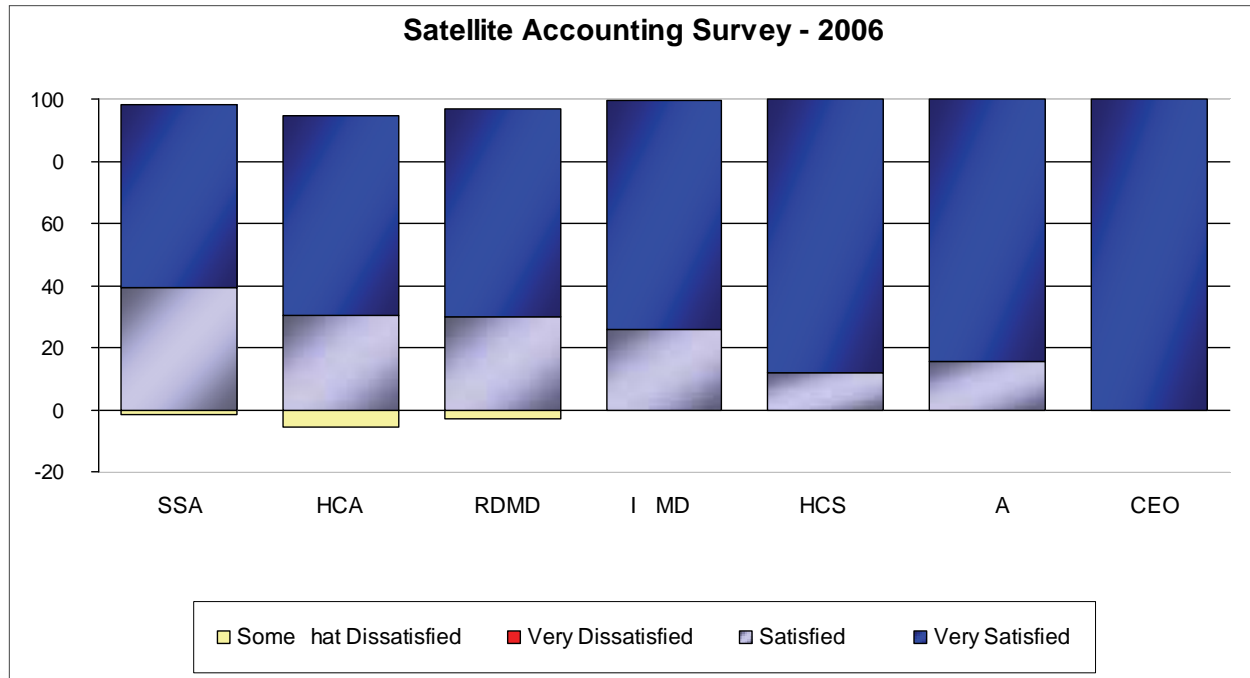
Biennial Satellite Survey

In 2006, as part of its ongoing efforts to better meet the needs of its clients, the Auditor-Controller Department conducted a client satisfaction survey of County departments and agencies the Auditor-Controller Department supports through accounting services provided by outstationed accounting teams. A similar survey was conducted in 2004.

The surveys asked respondents to rate various services provided by the outstationed Auditor-Controller teams in the areas of: **knowledge, responsiveness, courtesy/friendliness, accuracy, relevance (value of product), timely completion of work, and professionalism.**

The survey asked the respondents to select one of four levels of satisfaction, which included “**Very Satisfied, Satisfied, Somewhat Dissatisfied, and Very Dissatisfied,**” and to provide comments if desired. The accompanying chart summarizes the results of the survey for each department supported.

Overall, the results indicate that 98.65% of department and agency clients were satisfied or very satisfied with the department’s outstationed accounting services. These excellent results exceed the 96.33% satisfaction indicated in the 2004 survey.

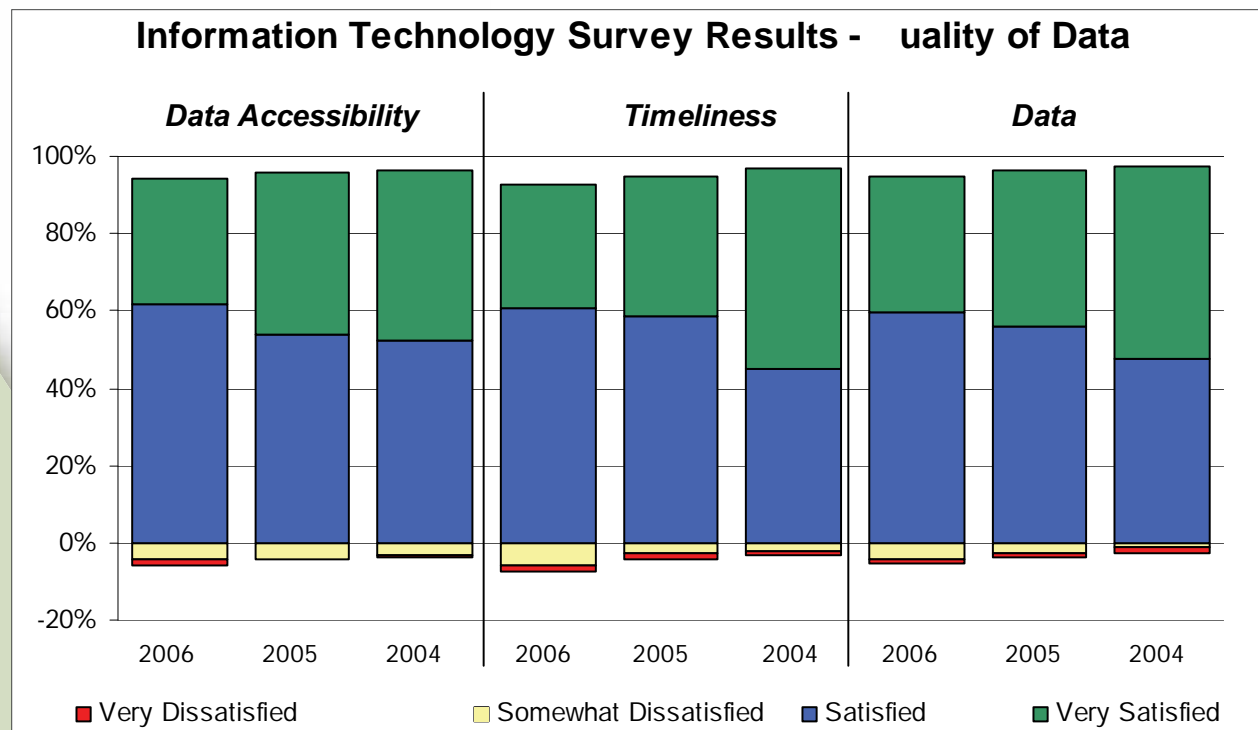


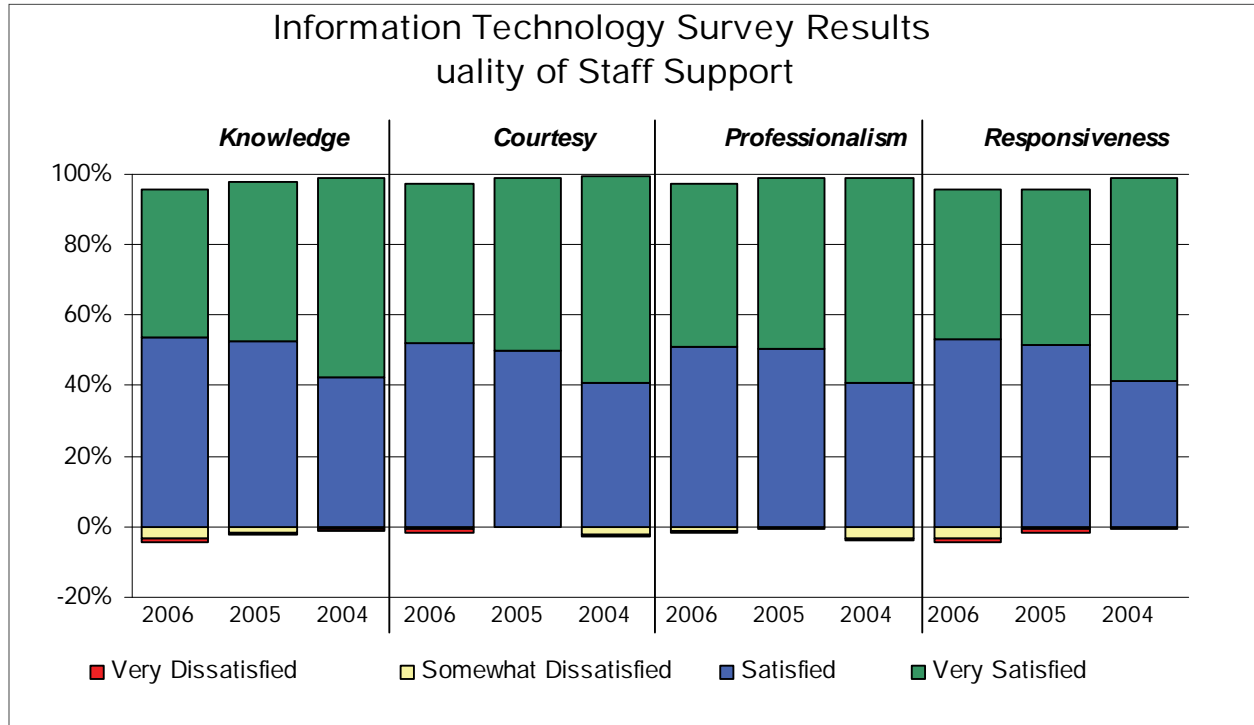


Countywide Client Survey – Information Technology

In 2006, Information Technology Division of the Auditor-Controller Department surveyed all 2,000 users of the CAPS system. The web-based survey asked users to respond to questions related to their level of satisfaction with both the quality of information provided by the CAPS system and the level of service provided by staff. The survey measured satisfaction in the functional areas of General Accounting, Claims/ Payment Processing, Fixed Assets, Job Cost, Labor Distribution, Payroll, VTI and ERMI. An additional functional area was added, the Employee Pay Stub Portal. We received over 500 responses in comparison with 480 responses the prior year. The overall results are shown in the quality of data chart and the quality of support chart provided below.

While the overall results clearly exceed the user satisfaction target of 90% or higher the decline from last year can be attributed to retirement of key knowledge workers and the age of the system. These will be addressed through improving existing processes and replacing the current systems. The feedback provided through comments will allow us to focus on areas requiring further improvement.



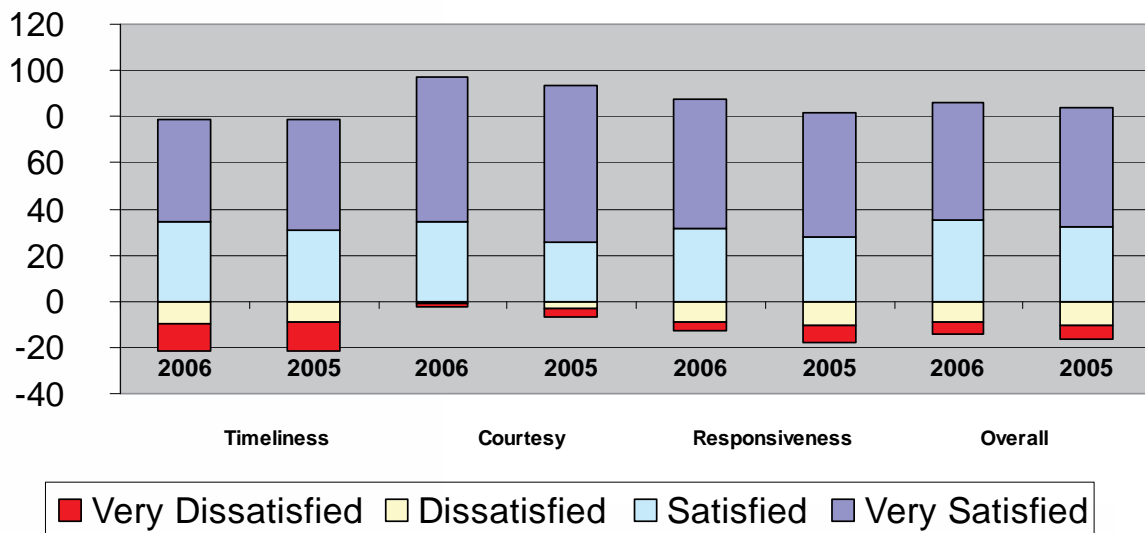




Vendor Survey

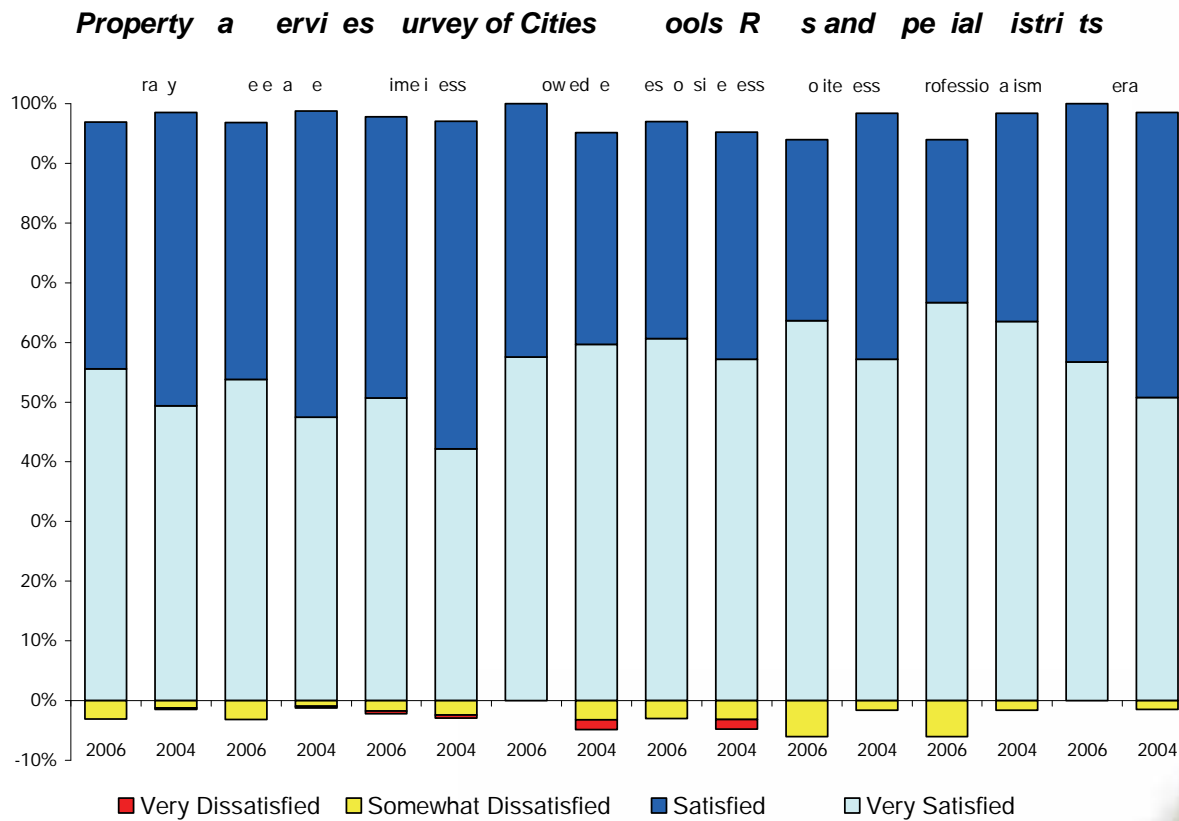
The vendor survey of the claims processing function resulted in an overall rating of **86%** of vendors being **“Satisfied” or “Very Satisfied”** with the County’s payment processing services, showing an increase of 2% compared to 84% last year. Meanwhile, the rating for **“Courtesy”** increased to **97%** from 93% last year, and rating for **“Responsiveness”** increased to **88%** from 82% last year. Rating for **“Timeliness”** remained 79%.

Vendor Survey Results



Cities, Schools and Special Districts

The biennial survey of cities, school districts and special districts regarding services such as tax apportionments and property tax revenue estimates provided by the Property Tax Unit resulted in overall “Satisfied” to “Very Satisfied” ratings of 100%.





G. THREE-YEAR WORKLOAD MEASURES

As discussed in the Operational Plan, the Auditor-Controller provides a wide variety of services to its many clients. Selected samples of the department's workload over the past three fiscal years are presented below.

	2003-04	2004-05	2005-06
Mandated Cost Claims Filed	60	46	41
Journal Vouchers Processed	18,511	18,668	17,886
Deposit Orders Processed	23,993	24,032	24,345
Countywide Employee Payroll Count (includes Superior Court and independent Special Districts using County Payroll System)	19,065	19,269	19,015
Employees in Host Dept/Agencies for which Payroll is processed by Auditor-Controller Staff (HCA, HCS, IWMD, JWA, SSA)	7,119	7,213	7,175
Mileage Claims Processed by Auditor-Controller Staff for Host Dept/Agency Employees (HCA, HCS, IWMD, JWA, SSA)	19,099	21,462	21,145
Statements of Aid Processed (SSA)	1,938	1,516	900
Accounting Policies Revised/Issued	1	1	0
Reconciliations Performed	15,386	15,884	16,531
Scanned Document Pages	664,821	695,754	691,830
Accounts Payable Vendor Invoices:			
Central Claims and Accounts Payable Units	177,233	172,425	173,808
Decentralized Contract Payments	<u>12,074</u>	<u>12,685</u>	<u>12,095</u>
Total Vendor/Contract Payments	189,307	185,110	185,903
Accounts Receivable Invoices and Billings	451,447	434,109	486,418
Property Tax Bills Prepared	1,066,005	1,136,302	1,155,562
Property Tax Refunds and Corrections	68,194	62,005	58,648
Internal and External Reports Issued and Consolidated Claims Processed	3,937	4,023	3,816
Number of Checks Issued (Claims, Child Support, Welfare, HCS)	1,742,628	1,793,987	1,404,894
Open Collection Accounts (Collections, SSA)	72,842	63,477	60,262





Satellite Accounting - HCA Accounting

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